U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended __December 31, 2019___

OR

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period

Commission File Number **001-36378**

PROFIRE ENERGY, INC.

(Name of registrant as specified in its charter)

Nevada	**20-0019425**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

321 South 1250 West Suite 1
Lindon, UT 84042
(Registrant's principal executive offices)

(801) 796-5127
(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Exchange Act:

Common Stock, $0.001 par value	**NASDAQ**
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K(§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "*large accelerated filer*," "*accelerated filer,*" "*smaller reporting company,*" and "*emerging growth company"* in Rule 12b-2 of the Exchange Act.

Large accelerated Filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller Reporting Company
Emerging Growth Company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) ☐ Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which our common stock was last sold as of the last business day of the our most recently completed second fiscal quarter was approximately $48,188,985.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	PFIE	NASDAQ

As of March 9, 2020, the registrant had 51,086,372 shares of common stock, par value $0.001, issued and 47,673,994 shares outstanding.

Documents Incorporated by Reference: Portions of the Profire Energy, Inc. Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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Explanatory Note

Unless otherwise indicated by the context, any reference herein to the "Company", "Profire", "we", "our" or "us" means Profire Energy, Inc., a Nevada corporation, and its corporate subsidiaries and predecessors. Unless otherwise indicated by the context, all dollar amounts stated in this report on Form 10-K are in U.S. dollars.

Cautionary Note Regarding Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on Managements' beliefs and assumptions and on information currently available to Management. For this purpose, any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements relating to our future actions, intentions, plans, strategies, objectives, results of operations, cash flows and the adequacy of or need to seek additional capital resources and liquidity. Without limiting the foregoing, words such as “may,” “should,” “expect,” “project,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “budget,” “forecast,” “predict,” “potential,” “continue,” “should,” “could,” “will” or comparable terminology or the negative of such terms are intended to identify forward-looking statements; however, the absence of these words does not necessarily mean that a statement is not forward-looking. These statements by their nature involve known and unknown risks and uncertainties and other factors that may cause actual results and outcomes to differ materially depending on a variety of factors, many of which are not within our control. Such factors include, but are not limited to, economic conditions generally and in the oil and gas industry in which we and our customers participate; competition within our industry; legislative requirements or changes which could render our products or services less competitive or obsolete; our failure to successfully develop new products and/or services or to anticipate current or prospective customers' needs; price increases; limits to employee capabilities; delays, reductions, or cancellations of contracts we have previously entered into; sufficiency of working capital, capital resources and liquidity; conflicts of interest between our significant investors and our other stakeholders; volatility of our operating results and share price and other factors detailed herein and in our other filings with the United States Securities and Exchange Commission (the "SEC" or "Commission"). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A. Risk Factors, included elsewhere in this report.

Forward-looking statements are based on our assessment of current industry, financial and economic information,, all of which are dynamic factors subject to rapid and abrupt changes. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements and we hereby qualify all our forward-looking statements by these cautionary statements.

Forward-looking statements in this report speak only as of their dates. We undertake no obligation to amend this report or publicly revise these forward-looking statements (other than as required by law) to reflect subsequent events or circumstances, whether as the result of new information, future events or otherwise.

The following discussion should be read in conjunction with our financial statements and the related notes contained elsewhere in this report and in our other filings with the Commission.

PART I

Item 1. Business

Overview

We are an oilfield technology company providing products that enhance the efficiency, safety, and compliance of the oil and gas industry. We specialize in the creation of burner-management systems used on a variety of oilfield forced-air and natural-draft fire-tube applications. We sell our products and services primarily throughout North America. Our experienced team of industry service professionals also provides supporting services for our products.

Profire Energy, Inc. was established on October 9, 2008, upon the closing of transactions contemplated by an Acquisition Agreement between The Flooring Zone, Inc. and Profire Combustion, Inc. and the shareholders of Profire Combustion, Inc. (the "Subsidiary"). Following the closing of the transactions, The Flooring Zone, Inc. was renamed Profire Energy, Inc. (the "Parent"). As a result of the transaction, the Subsidiary became a wholly-owned subsidiary of the Parent and the shareholders of the Subsidiary became the controlling shareholders of the Company. The Parent was incorporated on May 5, 2003 in the State of Nevada. The Subsidiary was incorporated on March 6, 2002 in the Province of Alberta, Canada.

Principal Products and Services

Across the energy industry, there are numerous demands for heat generation and control. Applications such as combustors, enclosed flares, gas production units, treaters, glycol and amine reboilers, indirect line-heaters, heated tanks, and process heaters require heat as part of their production or processing functions. This heat is generated through the process of combustion which must be controlled, managed and supervised. Combustion and the resulting generation of heat integral to the process of separating, treating, storing, and transporting oil and gas. Factors such as petroleum's specific gravity, the presence of hydrates, temperature and hydrogen sulfide content contribute to the need for heat in oil and gas production and processing applications. Our burner-management systems ignite, monitor, and manage pilots and burners that are utilized in this process. Our technology affords remote operation, reducing the need for employee interaction with the appliance's burner, such as for the purposes of re-ignition or temperature monitoring. In addition, our burner-management systems can help reduce gas emissions by quickly reigniting a failed flame and improving application efficiencies and up-time.

Oil and gas producers utilize burner-management systems to achieve increased safety, greater operational efficiencies, and improved compliance with changing industry regulations. Without a burner-management system, an employee must discover and reignite an extinguished burner flame, then restart the application manually. Therefore, without burner-management systems, all application monitoring is done directly on-site. Such on-site monitoring can result in the interruption of production for longer periods of time, risk of reigniting a flame, which can lead to burns and explosions, and the possibility of raw gas being vented into the atmosphere when the flame fails. In addition, without a burner-management system, burners often run longer, incurring significant fuel costs. We believe there is a growing trend in the oil and gas industry toward enhanced control, process automation, and data logging, largely for improved efficiency and operational cost savings, and partly for potential regulatory-satisfaction purposes. Our burner-management systems are designed to be always on standby to make sure the burner flame is lit and managed properly, which can reduce how often a burner is running and may reduce fuel costs. We continue to assess compliance-interest in the industry, and we believe that enhanced burner-management products and services can help our customers be compliant with such regulatory requirements, where applicable. In addition to selling products, we train and dispatch service technicians to service burner flame installations throughout the United States and Canada.

We initially developed our first burner-management system in 2005. Since then, we have released several iterations of our initial burner-management system, increasing features and capabilities, while maintaining compliance with North American standards, including Canadian Standards Association (CSA), Underwriters Laboratories (UL), and Safety Integrity Level (SIL) standards.

Our burner-management systems have become widely used in Western Canada and throughout many regions in the United States. We have sold our burner-management systems to many large energy companies, including Anadarko, Chesapeake, ConocoPhillips, Devon, Encana, XTO, CNRL, Shell, OXY, and others. Our systems have also been sold or installed in other parts of the world, including many countries in Europe, South America, Africa, the Middle East and Asia. We are established in the North American oil and gas markets, which is our primary focus currently, but we are working to expand further into other international markets.

Product Extensions

The PF3100 is an advanced burner and combustion management system which is designed to operate, monitor, control, and manage a wide variety of complex, heated appliances. Throughout the industry, Programmable Logic Controllers, or PLCs, are used to operate and manage custom-built oilfield applications. While PLC's perform these intended functions, they can be expensive, difficult to install and maintain. The PF3100 can help oilfield producers meet deadlines and improve profitability through an off-the-shelf solution with dynamic customization. We are selling the PF3100 for initial use in the oil and gas industry's natural-draft and forced-draft applications.

We recognized the area of burner management most in need of innovation was the user experience. The PF2200 is designed to optimize installation, commissioning, troubleshooting and daily operation. This focus on the user will optimized the time required on-site for both installation and operator training. With the user focused design being combined with an expanded feature set, the PF2200 becomes a very powerful tool to reduce downtime and lessen the burden on producers in a wide variety of applications, ranging from dual-burner to forced draft, to a variety of waste-gas destruction applications.

We frequently assess market needs by participating in industry conferences and soliciting feedback from existing and potential customers, allowing us to provide quality solutions to the oil and gas producing companies we serve. Upon identifying a potential market need, we begin researching the market and developing products that are likely to have feasibility for future sale.

Additional Complementary Products

In addition to our burner- and combustion-management systems, we also supply complementary products that provide our customers with a complete solution. These products include safety and monitoring devices such as shut-down and temperature valves, pressure transmitters and switches, burners, pilots, flame arrestor housings and other combustion related equipment. We continue to invest in the development of innovative, complementary products which we anticipate will help bolster continued long-term growth.

Principal Markets and Distribution Methods

Our principal markets include Western Canada and the United States, specifically the Marcellus, Permian, Bakken, STACK, SCOOP, and Eagle Ford areas. In our experience, the oil and gas industry does not typically centralize purchasing decisions of relatively inexpensive products and services such as those we provide. Therefore, we place a strong emphasis on developing relationships with customers at the field-level. Because of this relationship-based purchasing structure, the majority of our sales initiatives are focused on working directly with producers rather than through distributors or representative agreements.

We have also had success in working with Original Equipment Manufacturers (OEMs) who manufacture the production and processing equipment on which our products are utilized. These products can be used on new well pads or as replacements for former old or defective products. We have also had success in working with strategic partners that deliver instrumentation and electrical (I&E) services in the industry. When drilling activity is high, these OEMs and I&Es provide us with a relatively easy-to-scale sales and service channel.

In addition to developing a larger presence in international markets in future years, we believe the PF3100 and PF2200 platforms will serve as the base for applications outside of the oil and gas industry (as well as for new applications within the oil and gas industry). Although our primary focus is on serving the oil and gas industry, we continue to look for opportunities to expand and diversify our product footprint to other industries. For example, these platforms could have applications in the agricultural industry. We intend to continue to explore these opportunities.

Competition

We believe most of our competitors have limited sales and service departments to promote and support their products. Most of our competitors are regionally focused, with operations that are limited to areas close to their headquarters. There are several companies marketing burner-management products similar to ours. Our direct competitors include Combustex, SureFire, Platinum, and ACL.

While price is a significant method of competition within our industry, we believe the most important competitive factors are performance, quality, reliability, durability, and installation/service availability and expertise. To that end, we have primarily sought to first create high-quality and innovative products, and then to constrain costs without compromising quality and innovation. Relative to our competition, we believe our product-offering tends to be about average in price, but with above-average capability, reliability, and product-support.

We believe this quality-focused approach will help us continue to remain competitive in the industry. To help assure our customers of our commitment to quality and safety, our burner-management systems have been certified to comply with CSA, UL, and SIL standards. Additionally, because we were an early-mover in the burner-management market, we have the advantage of established relationships with both suppliers and customers, which help create a barrier to new entrants.

Sources and Availability of Raw Materials

We operate under release date purchase orders with the majority of our suppliers, including our suppliers in China. This allows for our procurement team to work closely with our suppliers to navigate market fluctuations and the changing needs of our customers. In the past, we have not experienced any sudden or dramatic increase in the prices of the major parts or components needed for our systems. However, as industry activity levels fluctuate and global economic pressures change, there could be greater upward pressure on the price of system components.

Some of the components that we resell, such as some of our valve products, are available from a limited number of suppliers. If our access to such products becomes constricted, we could experience a material adverse impact on our results of operations or financial condition. We continue to develop proprietary products that could reduce some of our dependency on these limited componentry items. As we anticipate continued development of proprietary products, we expect to review vendor relationships to help ensure we are working with suppliers that best meet our needs and the needs of our customers. Because many of the component parts we use are relatively low-priced and readily available, we do not anticipate that a sudden or dramatic increase in the price (or decrease in supply) of any particular part would have a material adverse effect on our results of operations or financial condition, even if we are unable to increase our sales prices proportionate to any particular price increase.

We contract with third-party contract manufacturers to assemble our burner-management system controllers, along with other proprietary products. We believe this has provided us with improved manufacturing efficiencies. Additionally, the use of third-party fabricators enables us to concentrate our capital on liquidity maintenance, research and development projects, and other strategies that align with our core competencies instead of investments in manufacturing equipment. Under the direction of our product engineers, the manufacturers are able to procure all electronic parts, specialty cases and components, and from those components assemble the complete system. Using specialty equipment and processes provided by us, the system is tested on-site by the manufacturer, and if the finished product is acceptable, it is shipped to us for distribution. We subsequently perform our own quality-control testing, and ensure the programming for each system is ready for the anticipated environment of the customer. Shipments to us from our manufacturers are usually limited to a few hundred systems at a time, so that in the event any one shipment is lost or damaged, inventory levels are not seriously impacted. The entire manufacturing process is typically completed within 90 to 120 days of the manufacturer receiving our purchase order.

Our burner-management systems manufacturers are located in Alberta, Canada. While we have contracts in place with these manufacturers, should we lose services from one or both of them, we believe we keep enough inventory on hand to meet our customers' needs in the event of short-term supply chain disruptions.

We also believe we have adequate alternative manufacturing sources available, and that while such a loss might result in a temporary short-term disruption, we do not anticipate it would result in a materially adverse impact in our ability to meet demand for our products or results of operations, financial condition and cash flows for a significant period of time. We periodically evaluate alternative manufacturing options to ensure our current fabricators are competitive in price, manufacturing quality and fulfillment speed, and to ensure we have the ability to scale our production levels based on customer demand and market conditions.

Dependence upon Major Customers

During the fiscal years ended December 31, 2019 and December 31, 2018, no single customer accounted for more than 10% of our total revenues. Nonetheless, the loss of a major customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Patents, Trademarks and Other Intellectual Property

We have filed or acquired several patent applications for various product innovations, both domestically and internationally. We intend to continue to assess the strategic and financial value of each potential patent as we develop various intellectual properties.

Need for Governmental Approval of our Principal Products or Services

We are required to obtain certain safety certifications/ratings for our combustion-management systems before they are released to the market. We have received the appropriate certifications including CSA, Intertek and UL certifications for our burner-management and chemical-management systems.

Although sales of our products and services have not been dependent on industry regulations, we believe industry regulations have enhanced our sales environment in certain geographies. We believe that increased regulation in the areas of lower emissions and higher safety standards for our customers—especially when coupled with consistent enforcement—may influence potential customers to purchase our products or services.

Effects of Existing or Probable Governmental Regulation on our Business

We believe that our products can improve regulatory compliance for our customers. Regulations concerning emissions, safe burner ignition methods, data logging, or other regulatory dimensions that could be related to our products, may impact our customers and markets. Examples of such regulations include:

- B149.3-10, which has evolved in recent years and is effective for Alberta, governs the safety precautions that must be met concerning the ignition of the pilot and the main burner in Canada. It requires a programmable control to be used, if the controller complies with certain certification requirements promulgated by the CSA.
- Regulation 7, which was passed during fiscal year 2014 by the Colorado Department of Public Health and Environment, required that combustion devices installed after May 1, 2014, be equipped with an auto-igniter and all existing combustion devices to be equipped with an auto-igniter by May 1, 2016.
- R307-503-4(1) (b) & (c), which was passed during fiscal year 2014 by the Utah Department of Air Quality, mandated that all new open and enclosed flares have an auto-igniter. The rule required the two largest oil- and gas-producing counties in Utah to retrofit all existing enclosed flares with auto-igniters by December 1, 2015, and all other counties to comply by April 1, 2017.
- Order 25417, which was passed by North Dakota's Industrial Council, is a rule that became effective April 1, 2015, and requires producers to condition crude oil before transportation and prove oil temperature is above 110 degrees Fahrenheit, to burn off toxic gases from the oil.

Our burner-management system's design enables our products to help companies become compliant with the aforementioned and other regulations and we intend to continue following their implementation and enforcement. We have assigned sales and service professionals to these specific geographic areas to ensure we have a strong presence in the States and Provinces with specific regulations.

We are focused on providing products and services that exceed existing regulatory and industry safety standards. We believe demand for our products may increase as regulators continue to tighten safety and efficiency standards in the industry. In addition to satisfying regulatory and safety requirements, we believe oil and gas companies continue to recognize the operational efficiencies that can be realized through the use of our burner-management systems and related products. However, significant changes in the regulatory environment could materially impact our results of operations and financial condition.

Research and Development

We place strong emphasis on product-oriented research and development relating to the development of new or improved products and systems. During the fiscal years ended December 31, 2019 and December 31, 2018, we spent $1,933,112 and $1,397,440, respectively, on research and development programs.

Cost and Effects of Compliance with Federal, State and Local Environmental Laws

Our business is affected by local, provincial, state, federal and foreign laws and other regulations relating to the gas and electric safety standards and codes presently existing in the oil and gas industry, as well as laws and regulations relating to worker safety and environmental protection.

During the fiscal years ended December 31, 2019 and December 31, 2018, respectively, we did not incur material direct costs to comply with applicable environmental laws. There can be no assurance, however, that this will continue to be the case in the future as environmental laws and regulations relating to the oil and natural gas industry are routinely subject to change.

Employees

As of December 31, 2019, we had a total of 117 employees, 104 of whom were full-time employees.

Executive Officers of the Registrant

Name	**Age**	**Positions Held**
Brenton W. Hatch	69	Chief Executive Officer and President (2008 to present)
Ryan Oviatt	46	Chief Financial Officer (2015 to present)
Cameron Tidball	43	Chief Business Development Officer (2018 to present)
Jay Fugal	36	Vice President of Operations (2018 to present)
Patrick Fisher	42	Vice President of Product Development (2019 to present)

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* (the "Exchange Act"), are available free of charge on our website at *www.profireenergy.com* as soon as reasonably practicable after we file such information electronically with, or furnish it to, the U.S. Securities and Exchange Commission (the "SEC").

Item 1A. Risk Factors

The statements in this section describe the known material risks to our business and should be considered carefully.

Risks Relating to Our Business

Changes in the level of capital-spending by our customers could materially and adversely impact our business and financial condition.

Our principal customers are oil and natural gas exploration and production companies that operate in the upstream and midstream space and the original equipment manufacturers, or OEM's, that supply the exploration and production companies with burner related equipment. Thus, the results of our operations and financial condition depend on the level of capital spending by our customers. The energy industry's level of capital spending is tied to the prevailing commodity prices of natural gas and crude oil because the amount of crude oil and natural gas that our customers can economically produce also depends on the prevailing prices for those commodities. Volatility in commodity prices may make our customers reluctant to invest in the oil and gas industry where our products would be used. Although our products may enhance the operational efficiency of producing wells, a prolonged or substantial downturn in market price could lead to reductions or delays in the capital spending of our customers and therefore reduce the demand for our products and services, which could materially and adversely impact our results of operations, financial condition and cash flow.

We depend on our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. Industry conditions are influenced by numerous factors over which we have no control, such as:

- the level of oil and gas production;
- the demand for oil and gas related products;
- domestic and worldwide economic conditions;
- political instability in the Middle East and other oil-producing regions;
- the actions of the Organization of Petroleum Exporting Countries (OPEC);
- the price of foreign imports of oil and gas, including liquefied natural gas;
- natural disasters or weather conditions, such as hurricanes;
- technological advances affecting energy consumption;
- the level of oil and gas inventories globally;
- the cost of producing oil and gas;
- the price and availability of alternative fuels;
- merger and divestiture activity among oil and gas producers; and
- governmental regulations.

These and other industry conditions could influence our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. If our customers reduce or eliminate such operating and capital expenditures, it may adversely affect our business and financial condition.

Changes in foreign exchange rates in countries where our business operates could have a material adverse impact on our business and financial condition.

A portion of our consolidated revenue and consolidated operating income is in Canadian dollars. As a result, we are subject to significant risks, including:

- Canadian currency exchange risks resulting from changes in Canadian currency exchange rates and the execution of controls in this area;
- limitations on our ability to reinvest earnings from operations in the United States to fund our operations in Canada.

If the volatility in the CAD/USD exchange rate causes a devaluation in either currency, it could have a material adverse impact on our business and financial condition.

The competitive nature of the oilfield services industry could lead to an increase of direct competitors.

As our segment within the oil and gas exploration and production industry grows and matures it is reasonable to expect additional companies may seek to enter this market. New entrants to our industry may be more highly capitalized, better recognized or better situated to take advantage of market opportunities. If we are unable to adequately compete against current and future competitors, or if the competition results in price reductions or decreased demand for our products, our business, financial condition and results of operations may be materially and adversely affected.

We may not realize all of the anticipated benefits of our acquisitions, joint ventures or divestitures, or these benefits may take longer to realize than expected.

Our future business strategies may include growth through the acquisitions of other businesses. We may not be able to identify attractive acquisition opportunities or successfully acquire those opportunities that are identified. Even if we are successful in integrating future acquisitions into existing operations, we may not derive the benefits, such as administrative or operational synergy or earnings, that were expected from such acquisitions, which may result in the commitment of capital resources without the expected returns on capital. Additionally, the competition for acquisition opportunities may increase which in turn would increase our cost of making acquisitions.

In pursuing our business strategy, from time to time we evaluate targets for potential acquisitions. We conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete transactions and manage post-closing matters such as the integration of acquired businesses. However, we may incur unanticipated costs or expenses following a completed acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities.

The risks associated with our past or future acquisitions also include the following:

- the business culture of the acquired business may not match well with our culture;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- we may experience problems in retaining customers and integrating customer bases;
- we may experience complexities associated with managing the combined businesses; and
- consolidating multiple physical locations.

The anticipated benefits of acquisitions may not be realized, if at all, and we may incur significant time and costs beyond those anticipated with the integration of new acquisitions to the existing business. If we are unable to accomplish the integration and management of the combined business successfully, or achieve a substantial portion of the anticipated benefits of these acquisitions within the time frames anticipated by Management, it could have a material adverse effect on our business and financial condition.

Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and diversion of Management's time and attention. They may also delay the realization of the benefits we anticipate when we enter into a transaction. Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business and financial condition.

Our operations involve operating hazards, which, if not insured or indemnified against, could harm our results of operations and financial condition.

Our operations are subject to hazards inherent in our technology's use in oilfield service operations, oilfield development and oil production activities, including fire, explosions, blowouts, spills and damage or loss from natural disasters, each of which could result in substantial damage to the oil-producing formations and oil wells, production facilities, other property, equipment and the environment, or in personal injury or loss of life. These hazards could also result in the suspension of purchasing, or in claims by employees, customers or third parties which could have a material adverse effect on our financial condition.

Some of these risks are either not insurable or insurance is available only at rates that we consider uneconomical. Although we will maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits. We may not always be successful in obtaining contractual indemnification from our customers, and customers who provide contractual indemnification protection may not maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. The occurrence of a significant event that we have not fully insured or indemnified against, or the failure of a customer to meet its indemnification obligations to us, could materially and adversely affect our results of operations and financial condition.

Changes to governmental regulation of the oil and gas industry could materially and adversely affect our business.

If the laws and regulations governing oil and natural gas exploration and production were to become less stringent, we could experience a decline in the demand for our products, which we expect would materially and adversely impact our results of operations and financial condition. These regulations are subject to change and new regulations may curtail or eliminate customer activities in certain areas where we currently operate.

Furthermore, our operations are affected by local, provincial, state, federal, and foreign laws and other regulations relating to oil, gas and electric standards. Such standards can be related to safety, environmental protection, or other regulatory dimensions for the oil and gas industry. Any change in local, provincial, state, federal and foreign laws and other regulations could adversely affect our business and financial condition.

Our international operations subject us to certain operating risks, which could adversely impact our results of operations and financial condition.

Our international operations involve additional risks not associated with our domestic operations. We intend to continue our expansion into international oil and gas producing areas. The effect on our international operations from the risks we describe will not be the same in all countries and jurisdictions. Risks associated with our operations outside of the United States include risks of:

- multiple, conflicting, and changing laws and regulations, export and import restrictions, and employment laws;
- regulatory requirements, and other government approvals, permits, and licenses;
- potentially adverse tax consequences;
- political and economic instability, including wars and acts of terrorism, political unrest, boycotts, curtailments of trade, tariffs and sanctions, and other business restrictions;
- expropriation, confiscation, or nationalization of assets;
- renegotiation or nullification of existing contracts;
- difficulties and costs in recruiting and retaining individuals skilled in international business operations;
- foreign exchange restrictions;
- foreign currency fluctuations;
- foreign taxation;
- the inability to repatriate earnings or capital;
- changing foreign and domestic monetary policies;
- cultural and communication challenges;
- industry-process changes in heating and flow of oil;
- regional economic downturns;

- foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction that may harm our ability to compete; and

- failure to comply with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act.

Our business could result in liability for litigation, personal injury and property damage claims assessments.

Most of our products are used in hazardous production applications and involve exposure to inherent risks, including explosions and fires, where an accident or a failure of a product could result in liability for personal injury, loss of life, property damage, pollution or other environmental hazards or loss of production. Litigation may arise from a catastrophic occurrence at a location where our equipment and services are used. This litigation could result in large claims for damages, including consequential damages, and could impair the market's acceptance of our products. The frequency and severity of such incidents could affect our operating costs, insurability and relationships with customers, employees and regulators. These occurrences could result in substantial costs and diversion of Management's attention and resources, which could have an adverse effect on our business.

Our business may be subject to product liability claims or product recalls, which could be expensive and could result in diversion of Management's attention.

The oil industry experiences significant product liability claims. As an installer and servicer of oilfield combustion management technologies and related products, we face an inherent business risk of exposure to product liability claims in the event that our products, or the equipment into which our products are incorporated, could malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our technology, products or services caused or contributed to the accidents. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the awarding of damages. In addition, we may be required to participate in recalls involving our products if any of our products prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices, or in an effort to maintain good customer relationships. Our product liability insurance may not be sufficient to cover all product liability claims, such claims may exceed our insurance coverage limits, or such insurance may not continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on our reputation and business.

Uninsured or underinsured claims or litigation or an increase in our insurance premiums could adversely impact our results of operations.

Although we maintain insurance protection for certain risks in our business and operations, we are not fully insured against all possible risks, nor are all such risks insurable. It is possible an unexpected judgment could be rendered against us for which we could be uninsured or underinsured and damages could be beyond the amounts we currently have reserved or anticipate incurring. Significant increases in the cost of insurance and more restrictive coverage may have an adverse impact on our results of operations. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable or our insurance coverage may not be adequate to cover future claims and assessments that may arise.

Our assets and operations, as well as the assets and operations of our customers, could be adversely affected by weather and other natural phenomena.

Our assets and operations could be adversely affected by natural phenomena, such as tornadoes, earthquakes, wildfire, floods, and landslides. A significant disruption in our operations or the operations of our customers due to weather or other natural phenomena could adversely affect our business and financial condition.

Liability to customers under warranties may materially and adversely affect our earnings.

We provide warranties as to the proper operation and conformance to specifications of the products we sell. Failure of our products to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment, or monetary reimbursement to a customer. In the past we have received warranty claims and we expect to continue to receive them in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business, and our earnings could be adversely affected.

Some of our products use equipment and materials that are available from a limited number of suppliers.

We purchase equipment provided by a limited number of manufacturers. During periods of high demand, these manufacturers may not be able to meet our requests for timely delivery, resulting in delayed deliveries of equipment and higher prices for equipment. There are a limited number of suppliers for certain materials used in burner management systems, our largest product line. Although these materials are generally available, supply disruptions may occur due to factors beyond our control. Such disruptions, delayed deliveries, and higher prices, could limit our ability to meet our customers' needs, or could increase the related costs, thus possibly reducing revenues and profits.

Dependence on contract manufacturing and outsourcing other portions of our supply chain may adversely affect our ability to bring products to market and damage our reputation.

We outsource our manufacturing processes and other functions and continue to evaluate additional outsourcing in order to maintain efficient operations. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers may be unable to meet our demand requirements, which may prevent us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. Additionally, changing or replacing our contract manufacturers or other outsourcers could cause disruptions or delays.

We are exposed to risks of delay, cancellation, and nonpayment by customers in the ordinary course of our business activities.

We are exposed to risks of loss in the event of delay, cancellation, and nonpayment by our customers. Our customers are subject to their own operating and regulatory risks and may be highly leveraged. We may experience financial losses in our dealings with other parties. Any delay and any increases in the cancellation of contracts or nonpayment by our customers and/or counterparties could adversely affect our results of operations and financial condition. In addition, the same factors that may lead to a reduction in our potential customers' spending may also increase our exposure to the risks of nonpayment and nonperformance by our existing customers. A significant reduction in our customers' liquidity may result in a decrease in their ability to pay or otherwise perform their obligations to us. Any increase in nonpayment or nonperformance by our customers, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on our operating results and adversely affect our liquidity.

Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and planned products, or if the scope of the intellectual property protection is not sufficiently broad.

Our success depends in part on our ability to obtain and maintain patent and other intellectual property protection with respect to our proprietary technology and products. In recent years, patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of patent rights is highly uncertain. Pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the same, especially in jurisdictions in which we hope to secure protection, may diminish the value of patents or narrow the scope of patent protection. Publications of discoveries in the scientific literature often lag behind actual discoveries, and patent applications, in the United States and other jurisdictions. Consequentially, such discoveries are typically not published until 18 months after filing, or in some cases not at all. Therefore, we may not have been the first to make the inventions claimed in our patents or pending patent applications, or we may not have been the first to file for patent protection of such inventions.

Even if the patent applications we rely on are issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and patents may be challenged in the courts or patent offices in the United States and internationally. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop, or prevent us from stopping, others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, or otherwise provide us with a competitive advantage.

While we are not currently engaged in any material intellectual property litigation, in the future we may commence lawsuits against others if we believe they have infringed our rights. We may not be successful in any such litigation. Our involvement in any intellectual property litigation could require the expenditure of substantial time and other resources, may adversely affect the development of sales of our products or intellectual property, our capital resources, or may divert the efforts of our technical and management personnel, and could have a material adverse effect on our business, results of operations, and financial condition.

We may not be able to protect or enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending our patents throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection, to develop their own products, and may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the United States. Competitors' products may compete with our products in jurisdictions where we do not have any issued patents, and our intellectual property rights may not be effective or sufficient to prevent them from competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries may not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of any patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce any patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position.

Some of our proprietary intellectual property is not protected by patents or copyrights, and, despite our precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. We rely upon confidential proprietary information, including trade secrets, unpatented know-how, technology, software, and other proprietary information, to develop and maintain our competitive position. Any disclosure to, or misappropriation by, third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market. We seek to protect our confidential proprietary information, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us.

These agreements are designed to protect our proprietary information; however, our trade secrets and other confidential information could be disclosed or competitors could otherwise gain access to our trade secrets, or that technology relevant to our business could be independently developed by a person that is not a party to such agreements. Furthermore, if the employees, consultants or collaborators that are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could be disclosed, misappropriated or otherwise become known or be independently discovered by our competitors. In addition, intellectual property laws in foreign countries may not protect trade secrets and confidential information to the same extent as the laws of the United States. If we are unable to prevent disclosure of the intellectual property related to our technologies to third parties, we may not be able to establish or maintain a competitive advantage in our market, which would harm our ability to protect our rights and have a material adverse effect on our business.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our distributors, contract manufacturers, and suppliers to manufacture, market, and sell our products, and to use our proprietary technologies without infringing, misappropriating, or otherwise violating the proprietary rights or intellectual property of third parties. While we are not aware of any issued or pending patent applications that could restrict our ability to operate, we may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third party's intellectual property rights, we may be temporarily or permanently prohibited from commercializing our products that are held to be infringing. We might, if possible, also be forced to redesign our products so that we no longer infringe the third party intellectual property rights, or we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and we could be required to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, which could materially harm our business.

Even if we are successful in defending against intellectual property claims, litigation or other legal proceedings relating to such claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially decrease our operating profits and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. As a result of their substantially greater financial resources, some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can. Uncertainties resulting from the initiation and continuation of litigation or other intellectual property-related proceedings could have a material adverse effect on our ability to compete in the marketplace.

If we do not develop and commercialize new competitive products, our revenue may decline.

To remain competitive in the market for oilfield technologies, we must continue to develop and commercialize new products. If we are not able to develop commercially competitive products in a timely manner in response to industry demands, our business and revenues will be adversely affected. Our future ability to develop new products depends on our ability to:

- design and commercially produce products that meet the needs of our customers;
- attract and retain talented research-and-development management and personnel;
- successfully market new products; and
- protect our proprietary designs from our competitors.

We may encounter resource constraints or technical or other difficulties that could delay introduction of new products and services. Our competitors may introduce new products before we do and achieve a competitive advantage.

Additionally, the time and expense invested in product development may not result in commercial products or revenues. Our inability to enhance existing products in a timely manner or to develop and introduce new products that incorporate new technologies, conform to stringent regulatory standards and performance requirements, and achieve market acceptance in a timely manner, could negatively impact our competitive position. New product development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products. Moreover, we may experience operating losses after new products are introduced and commercialized because of high start-up costs, unexpected manufacturing costs or problems, or lack of demand.

New technologies could render our existing products obsolete.

New developments in technology may negatively affect the development or sale of some or all of our products or make our products obsolete. Our success depends upon our ability to design, develop and market new or modified technologies and related products.

Our business and financial condition could be negatively impacted if we lose the services of certain members of senior management.

Our development to date has largely depended, and in the future will continue to largely depend, on the efforts of our senior management. We currently do not have key-person insurance on any of our senior management team. Thus, the loss of any member of our senior management could impair our ability to execute our business plan and could therefore have a material adverse effect on our business, results of operations, and financial condition.

Failing to attract and retain skilled employees could impair our growth potential and profitability.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled employees. Our ability to scale our operations depends on our ability to increase our labor force. The demand for skilled oilfield employees is high and the supply is limited. As a result of the volatility of the oilfield services and technology industry, our ability to offer competitive wages and retain skilled employees may be diminished.

A portion of our total compensation program for key personnel has historically included awards of options to buy our common stock or other equity-based awards. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract key personnel. In addition, if we are unable to continue to provide attractive equity compensation awards or other compensation incentives for any reason, we may be unable to retain and motivate existing personnel and recruit new personnel.

If we are unable to expand in existing or into new markets, our ability to grow our business as profitably as planned could be materially and adversely affected.

We may not be able to expand our market share in our existing markets or successfully enter new or contiguous markets especially in light of industry volatility. In addition, such expansion could adversely affect our profitability and results of operations. If we are unable to enter into new markets, our business could be materially and adversely affected.

If we are unable to manage growth effectively, our business, results of operations, and financial condition could be materially and adversely affected.

Our ability to successfully expand to new markets, or expand our penetration in existing markets, depends on a number of factors including:

- our ability to market our products and services to new customers;
- our ability to provide large-scale support and training materials for a growing customer base;
- our ability to hire, train and assimilate new employees;
- the adequacy of our financial resources; and
- our ability to correctly identify and exploit new geographical markets and to successfully compete in those markets.

We may not be able to achieve our planned expansion and our products may not gain access to new markets or be accepted in new marketplaces. We may not achieve greater market penetration in existing markets and we may not achieve planned operating results, or results comparable to those we experience in existing markets, in the new markets we enter.

Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations.

Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing, and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers, and others.

We invest in industry standard security technology to protect our data and business processes against risk of data security breach and cyber-attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards.

While we believe that our security technology and processes provide adequate measures of protection against security breaches and reduce cybersecurity risks, disruptions in, or failures of, information technology systems are possible and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber-attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our business, our employees, and those with whom we do business.

Risks Relating to our Common Stock

The market price of our common stock has been and may continue to be volatile and you may have difficulty reselling any shares of our common stock.

The market price of our common stock has been volatile, and fluctuates widely in price in response to various factors which are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long-term business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially:

- the underlying price of the commodities in the oil and gas industry;
- announcements of capital budget changes by a major customer;
- the introduction of new products by our competitors;
- announcements of technology advances by us or our competitors;
- current events affecting the political and economic environment in the United States or Canada;
- foreign currency fluctuations;
- conditions or industry trends, including demand for our products, services and technological advances;
- changes to financial estimates by us or by any securities analysts who might cover our stock;
- changes in our key personnel;
- government regulation of our industry;
- seasonal, economic, or financial conditions;
- our quarterly operating and financial results; or
- litigation or public concern about the safety of our products.

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. In particular, the market price of our common stock may be influenced by variations in oil and gas prices, because demand for our products and services is closely related to commodity prices. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and/or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low.

A small number of existing stockholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any stockholder vote.

As of December 31, 2019, our executive officers, directors, and certain beneficial owners owned approximately 33% of our common stock. As a result, our insiders have sufficient voting power to significantly influence the outcome of many matters requiring stockholder approval. These matters may include:

- the composition of our Board of Directors, which has the authority to direct our business, appoint and remove our officers, and declare dividends;
- approving or rejecting a merger, consolidation, or other business combination;
- raising future capital; and
- amending our articles of incorporation and bylaws.

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs, or other purchases of our common stock that might otherwise give our other stockholders the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price. The interests of these existing stockholders may differ from the interests of our other stockholders.

While we have no existing agreements or plans for mergers or other corporate transactions that would require a stockholder vote at this time, this concentration of ownership may delay, prevent or deter a change in control, or deprive investors of a possible premium for owned common stock as part of a sale of our Company.

Our existing stockholders could experience dilution if we elect to raise equity capital to meet our liquidity needs or to finance strategic transactions.

As part of our growth strategy, we may desire to raise capital, issue stock to employees pursuant to our 2014 Equity Incentive Plan, or utilize our common stock to effect strategic business transactions. If we issue equity securities in connection with any of these actions, such issuance will result in dilution to our existing stockholders.

Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well.

If any significant number of outstanding shares of our common stock are sold, such sales could have a depressive effect on the market price of our stock. Sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price which we deem appropriate.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting.

We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal control over financial reporting and to disclose any changes in internal control over financial reporting. In Item 9A of this report, we disclose that with respect to the standards of Section 404 of the Sarbanes-Oxley Act of 2002, the internal controls-standard to which we are subject, we concluded that our internal control over financial reporting was effective as of December 31, 2019. For additional information on this item, please see Item 9A. Controls and Procedures.

Although we concluded that our internal controls over financial reporting were effective as of December 31, 2019, we have identified and reported material weaknesses in prior periods, and we cannot be certain that our internal control practices will ensure that we will have or maintain adequate internal control over our financial reporting in future periods. Any failure to have or maintain such internal controls could adversely impact our ability to report our financial results accurately and on a timely basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations.

We may be subject to stockholder litigation, thereby diverting our resources, which could materially adversely affect our profitability and results of operations.

The market for our common stock is volatile, and we expect it will continue to be volatile for the indefinite future. Plaintiffs often initiate securities class action litigation against a company following periods of volatility in the market price for its securities. In addition, stockholders may bring actions against companies relating to past transactions or other matters. Any such actions could give rise to substantial damages and thereby materially adversely affect our consolidated financial position, liquidity, or results of operations. Even if an action is not resolved against us, the uncertainty and expense associated with stockholder actions could materially adversely affect our business, prospects, and financial condition. Litigation can be costly, time-consuming and disruptive to business operations. The defense of lawsuits could also result in diversion of Management's time and attention away from business operations, which could harm our business.

We could issue "blank check" preferred stock without stockholder approval with the effect of diluting existing stockholders and impairing their voting rights, and provisions in our charter documents and under Nevada corporate law could discourage a takeover that stockholders may consider favorable.

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. Our Board of Directors is empowered, without stockholder approval, to authorize the issuance of a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. For example, it would be possible for our Board of Directors to authorize preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change in control of our Company. Any aspect of the foregoing, alone or together, could delay or prevent unsolicited takeovers and changes in control or changes in our management.

We do not anticipate paying cash dividends for the foreseeable future, and therefore investors should not buy our stock if they wish to receive cash dividends.

We have never declared or paid any cash dividends or distributions on our common stock. We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our earnings, financial condition, capital requirements, and other factors that our Board of Directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Anti-takeover effects of certain provisions of Nevada state law hinder a potential takeover of our company.

Although we are not currently subject to Nevada's control share law, we could become subject to Nevada's control share law in the future. A corporation is subject to Nevada's control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and it does business in Nevada or through an affiliated corporation. The law focuses on the acquisition of a "controlling interest" which means the ownership of outstanding voting shares sufficient, but for the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more. The ability to exercise such voting power may be direct or indirect, as well as individual or in association with others.

The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for such stockholder’s shares. Nevada’s control share law may have the effect of discouraging takeovers of the corporation.

In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and “interested stockholders” for two years after the “interested stockholder” first becomes an “interested stockholder,” unless the corporation’s Board of Directors approves the combination in advance. For purposes of Nevada law, an “interested stockholder” is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term “business combination” is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation’s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders. The effect of Nevada’s business combination law is to potentially discourage parties interested in taking control of our Company from doing so if it cannot obtain the approval of our Board of Directors.

We may not be able to maintain compliance with the Nasdaq Capital Market's continued listing requirements.

Our common stock is listed on the Nasdaq Capital Market. There are a number of continued listing requirements that we must satisfy in order to maintain our listing on the Nasdaq Capital Market. Although we intend to comply with all of the continued listing requirements, it is possible we may fail to do so. If we fail to maintain compliance with all applicable continued listing requirements for the Nasdaq Capital Market and they determine to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing, repay any future debt we could incur, and fund our operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The following table lists the location and description of each of our facilities, the current lease expiration date (when applicable), and the facility's principal use, and approximate square footage:

Location	Lease Expiration	Use	Square Footage
Lindon, Utah	Owned	Corporate HQ & Warehouse Assembly	50,500
Spruce Grove, Alberta	Owned	Office & Warehouse Assembly	16,000
Acheson, Alberta	Owned	Office & Warehouse Assembly	25,500
Greeley, Colorado	Owned	Office & Warehouse Storage	2,750
Victoria, Texas	August 15, 2020	Office & Warehouse Assembly	3,250
Homer City, Pennsylvania	May 1, 2020	Office & Warehouse Storage	2,100
Millersburg, Ohio	Month-to-Month	Office & Warehouse Assembly	1,600

Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in matters may arise from time to time that may harm our business. As of December 31, 2019, Management is not aware of any pending legal, judicial or administrative proceedings to which the Company or any of its subsidiaries is a party or of which any properties of the Company or its subsidiaries is the subject that we believe could have a material impact on our operations or financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Registrant's Common Equity and Holders

The Company's common stock is traded on the NASDAQ Capital Market under the symbol "PFIE." As of March 9, 2020, there were approximately 80 shareholders of record for our common stock. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, registered clearing houses or agencies, banks, or other fiduciaries.

Dividends

The Company has not declared or paid any dividends in the past two years and does not intend to do so in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below displays information relating to equity compensation:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	773,127	$ 0.41	2,034,126
Equity compensation plans not approved by security holders	—	—	—
Total	773,127	$ 0.41	2,034,126

Issuer Purchases of Equity Securities

On November 5, 2018, the Company announced that its Board of Directors had authorized a share repurchase program allowing the Company to repurchase up to $2,000,000 worth of the Company's common stock from time to time through October 31, 2019 at Management's discretion. The Company continued to repurchase stock during October 2019 until the share repurchase program expired. As of the date of this report, the Company does not have an active share repurchase program.

The table below sets forth additional information regarding our share repurchases during the three months ended December 31, 2019:

Period	(a) Total Number of Shares Purchased	(b) Weighted Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans
October	269,491	$ 1.83	269,491	$ —
November	—	$ —	—	$ —
December	—	$ —	—	$ —
Total	269,491		269,491	

Item 6. Selected Financial Data

This section is not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a complete understanding, this Management's Discussion and Analysis should be read in conjunction with the *Financial Statements* and *Notes to the Financial Statements* contained in this annual report on Form 10-K.

Recent Developments

On June 18, 2019, our wholly-owned subsidiary, Profire Combustion, Inc., acquired substantially all the assets of Millstream Energy Products, LTD., a Canadian corporation ("MEP") for $2,219,782 in cash and liabilities assumed. MEP was a privately-held Canadian company that developed a line of high-performance burners, economy burners, flame arrestor housings, secondary air control plates, and other related combustion components. MEP's full line of products became available for sale by our existing sales team immediately after closing of the transaction. These products complement our burner-management system (BMS) product offerings and should enable us to supply a larger portion of the total BMS package sale to our customers. MEP will receive a 4.5% royalty on proprietary MEP product revenue generated during the five-year period following the acquisition.

On August 5, 2019, we acquired all of the outstanding membership interests of Midflow Services, LLC ("Midflow"). Midflow is based in Millersburg, Ohio. Midflow provides packaged combustion solutions and services to the upstream and midstream oil and gas industry. The purchase price of $3,439,371 was funded through a combination of existing cash and shares of the Company's common stock.

Results of Operations

Revenues, Cost of Goods Sold, and Gross Profit

The table below presents information regarding revenues, cost of goods sold, and gross profit.

	For the Year Ended December 31, 2019	% of Revenue	For the Year Ended December 31, 2018	% of Revenue	$ Change	% Change
Total Revenues	38,981,313	100 %	45,614,535	100 %	$ (6,633,222)	(15) %
Total Cost of Goods Sold	19,452,954	50 %	22,713,355	50 %	$ (3,260,401)	(14) %
Gross Profit	19,528,359	50 %	22,901,180	50 %	$ (3,372,821)	(15) %

Total revenues decreased by 15% which was primarily driven by macro industry changes during 2019. The average oil price in 2019 was $56.95 per barrel compared to $65.07 per barrel in 2018, representing a decrease of 12.5%. The 2019 weekly average onshore rig count for North America was 1,052 compared to 1,202 in 2018. As a result of these macro trends, we believe many exploration and production companies have pulled back on capital expenditure budgets or deferred planned spending. We continue to focus our resources in geographic areas that we believe have the greatest potential for improved revenues and return on investment. However, continued volatility in commodity prices, or weak oil prices during 2020, could cause our customers to reduce operating and capital expenditures even more, which would adversely affect our revenues.

Total cost of goods sold decreased due to the decrease in revenues. As a percentage of revenue, cost of goods sold remained flat during 2019. We continue to work with our suppliers to control our inventory costs, which has the largest impact on margin. As a result of these changes, total gross profit decreased by $3,372,821 during 2019 compared to 2018. As a percentage of revenues, total gross profit remained flat between the periods.

Operating Expenses

The table below presents information on operating expenses:

	For the Year Ended December 31, 2019	% of Revenue	For the Year Ended December 31, 2018	% of Revenue	$ Change	% Change
General and administrative expenses	13,454,195	35 %	13,029,228	29 %	$ 424,967	3 %
Research and development	1,933,112	5 %	1,397,440	3 %	$ 535,672	38 %
Depreciation and amortization expense (inclusive of amounts in COGS)	1,464,844	4 %	896,157	2 %	$ 568,687	63 %

General and administrative expenses increased by $424,967 or 3% during 2019 compared to 2018 and increased as a percentage of revenue. While general and administrative expenses increased 3% during 2019, revenues decreased 15% during the same period. The majority of the increase in general and administrative expense was due to an expanded labor force resulting from the two acquisitions completed during the year.

Research and development expenses increased by $535,672 or 38% during 2019 compared to 2018 and increased as a percentage of revenue. We continue to prioritize research and development projects to ensure that we remain a leader in technology and automation in the oil and gas industry. We intend to continue our research and development efforts during 2020 in order to further expand and enhance our product offerings.

Depreciation and amortization expense (inclusive of amounts in COGS) increased by $568,687 or 63% in 2019 compared to 2018 primarily due to an asset impairment we recorded during 2019 with respect to one of our patents relating to chemical management systems. As a result of deterioration in market conditions related to chemical management systems during 2019, we determined that the patent was impaired and recorded an impairment of $417,777, which represented the excess of the carrying value of this patent over its estimated fair value. Refer to Note 4 and Note 5 of the financial statements included in this report for further details on property and equipment, depreciation expense, intangible assets and amortization expense.

Liquidity and Capital Resources

Management is committed to maintaining strong liquidity in an effort to be conservative and be able to respond quickly to changes in industry or economic conditions. The Company currently has no long-term debt, and does not have any immediate plans that would require long-term financing. While Management believes sources of financing are available if needed, we cannot be certain that financing would be available to us on favorable terms, or at all. We currently do not expect any material changes to our capital resource mix during the next year.

We acquired land for a new office building and research and development facility in Canada in June of 2018 had substantially completed construction as of December 31, 2019. Excluding the cost of the land, the total cost of the building is expected to be $4,600,000 USD and as of December 31, 2019 we had spent $4,340,927 towards its construction. We believe our available cash resources are sufficient to cover construction costs for the building and other expected capital expenditures for the foreseeable future, and we have no current plans to incur debt financing.

The table below presents information on cash and investments:

	December 31, 2019	December 31, 2018	$ Change	% Change
Cash and cash equivalents	7,358,856	10,101,932	$ (2,743,076)	(27) %
Short-term investments	1,222,053	961,256	$ 260,797	27 %
Short-term investments - other	2,600,000	3,596,484	$ (996,484)	(28) %
Long-term investments	7,399,963	7,978,380	$ (578,417)	(7) %
Total	18,580,872	22,638,052	(4,057,180)	(18) %

The Company invests its available cash in investment grade securities. All of the investments either mature within one year or can be sold quickly in response to liquidity needs, if necessary.

The table below presents information regarding cash flows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	$ Change	% Change
Net Cash Provided by Operating Activities	$ 7,713,202	$ 5,552,556	$ 2,160,646	39 %
Net Cash Used in Investing Activities	$ (7,437,441)	$ (1,568,487)	$ (5,868,954)	374 %
Net Cash Used in Financing Activities	$ (3,050,303)	$ (5,233,156)	$ 2,182,853	42 %
Effect of exchange rate on Cash	$ 31,466	$ (94,780)	$ 126,246	133 %
Net Decrease in Cash	$ (2,743,076)	$ (1,343,867)	$ (1,399,209)	104 %

Despite the economic difficulties that have faced the oil and gas industry in recent years, we have continued to maintain positive cash flows from operations. The overall increase in operating cash flows during 2019 was primarily due to favorable changes in working capital balances. Net cash used in investing activities increased primarily as a result of acquisitions and purchases of additional fixed assets in 2019. During the year ended December 31, 2019 we purchased $4,664,619 in fixed assets, which was partially offset by proceeds from sales of fixed assets of $116,785. The decrease in cash used in financing activities was due to less cash spent repurchasing shares of our own stock in 2019 compared to 2018. As discussed in Note 8 to the financial statements, during 2019 we repurchased 1,636,878 shares of our common stock for a total price of $2,743,534. During 2018, we repurchased 1,628,712 shares of common stock for a total price of $4,670,134. The net decrease in cash was caused primarily by the aforementioned activities.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements, nor do we plan to engage in any in the foreseeable future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

This section is not required.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Profire Energy, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Profire Energy, Inc. ("the Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company's auditor since 2011.

Salt Lake City, UT
March 11, 2020

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	As of	
ASSETS	December 31, 2019	December 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 7,358,856	$ 10,101,932
Short-term investments (note 2)	1,222,053	961,256
Short-term investments - other (note 2)	2,600,000	3,596,484
Accounts receivable, net	5,597,701	6,885,296
Inventories, net (note 3)	9,571,807	9,659,571
Prepaid expenses and other current assets	1,672,422	473,726
Income tax receivable	77,385	173,124
Total Current Assets	28,100,224	31,851,389
LONG-TERM ASSETS		
Net deferred tax asset	—	85,092
Long-term investments (note 2)	7,399,963	7,978,380
Financing right-of-use asset	107,991	—
Property and equipment, net (note 4)	12,071,019	8,020,462
Intangible assets, net (note 5)	1,989,782	429,956
Goodwill (note 5)	2,579,381	997,701
Total Long-Term Assets	24,148,136	17,511,591
TOTAL ASSETS	$ 52,248,360	$ 49,362,980
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,633,520	$ 1,177,985
Accrued liabilities	2,089,391	1,756,945
Current financing lease liability (note 7)	59,376	—
Income taxes payable	403,092	1,172,191
Total Current Liabilities	5,185,379	4,107,121
LONG-TERM LIABILITIES		
Net deferred income tax liability	439,275	—
Long-term financing lease liability (note 7)	52,120	—
TOTAL LIABILITIES	5,676,774	4,107,121
STOCKHOLDERS' EQUITY (note 8)		
Preferred stock: $0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common stock: $0.001 par value, 100,000,000 shares authorized: 50,824,355 issued and 47,411,977 outstanding at December 31, 2019, and 49,707,805 issued and 47,932,305 outstanding at December 31, 2018	50,824	49,708
Treasury stock, at cost	(5,353,019)	(2,609,485)
Additional paid-in capital	29,584,172	28,027,742
Accumulated other comprehensive loss	(2,415,460)	(2,895,683)
Retained earnings	24,705,069	22,683,577
TOTAL STOCKHOLDERS' EQUITY	46,571,586	45,255,859
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 52,248,360	$ 49,362,980

The accompanying notes are an integral part of these consolidated financial statements.

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
REVENUES (note 10)		
Sales of goods, net	$ 36,208,153	$ 42,870,050
Sales of services, net	2,773,160	2,744,485
Total Revenues	38,981,313	45,614,535
COST OF SALES		
Cost of goods sold-product	17,587,664	20,789,229
Cost of goods sold-services	1,865,290	1,924,126
Total Cost of Goods Sold	19,452,954	22,713,355
GROSS PROFIT	19,528,359	22,901,180
OPERATING EXPENSES		
General and administrative expenses	13,454,195	13,029,228
Research and development	1,933,112	1,397,440
Depreciation and amortization expense	976,652	500,554
Total Operating Expenses	16,363,959	14,927,222
INCOME FROM OPERATIONS	3,164,400	7,973,958
OTHER INCOME (EXPENSE)		
Gain on sale of fixed assets	114,641	129,989
Other income (expense)	5,044	(7,414)
Interest income	283,476	501,429
Total Other Income	403,161	624,004
INCOME BEFORE INCOME TAXES	3,567,561	8,597,962
INCOME TAX EXPENSE (note 12)	1,546,069	2,517,200
NET INCOME	$ 2,021,492	$ 6,080,762
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation gain (loss)	$ 335,695	$ (660,190)
Unrealized gains (losses) on investments	144,528	(35,031)
Total Other Comprehensive Income (Loss)	480,223	(695,221)
COMPREHENSIVE INCOME	$ 2,501,715	$ 5,385,541
BASIC EARNINGS PER SHARE (note 13)	$ 0.04	$ 0.13
FULLY DILUTED EARNINGS PER SHARE (note 13)	$ 0.04	$ 0.12
BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	47,490,937	48,471,011
FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING	48,133,749	49,222,353

The accompanying notes are an integral part of these consolidated financial statements.

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance, December 31, 2017	48,606,425	$ 53,931	$ 27,535,469	$ (2,200,462)	$ (6,890,349)	$ 25,548,835	$ 44,047,424
Stock based compensation	—	—	1,059,000	—	—	—	1,059,000
Stock issued in exercise of stock options	491,650	492	173,510	—	—	—	174,002
Stock issued in settlement of RSUs	262,942	263	(263)	—	—	—	—
Tax withholdings paid related to stock based compensation	—	—	(739,974)	—	—	—	(739,974)
Treasury stock repurchased	(1,628,712)	—	—	—	(4,670,134)	—	(4,670,134)
Retirement of treasury stock	200,000	(4,978)	—	—	8,950,998	(8,946,020)	—
Foreign currency translation	—	—	—	(660,190)	—	—	(660,190)
Unrealized losses on investments	—	—	—	(35,031)	—	—	(35,031)
Net Income For the Year Ended December 31, 2018	—	—	—	—	—	6,080,762	6,080,762
Balance, December 31, 2018	47,932,305	$ 49,708	$ 28,027,742	$ (2,895,683)	$ (2,609,485)	$ 22,683,577	$ 45,255,859
Stock based compensation	—	—	390,826	—	—	—	390,826
Stock issued in exercise of stock options	66,508	66	9,290	—	—	—	9,356
Stock issued in settlement of RSUs and payment of bonuses	310,912	311	379,550	—	—	—	379,861
Stock issued in acquisition (note 9)	739,130	739	1,019,261	—	—	—	1,020,000
Tax withholdings paid related to stock based compensation	—	—	(242,497)	—	—	—	(242,497)
Treasury stock repurchased	(1,636,878)	—	—	—	(2,743,534)	—	(2,743,534)
Foreign currency translation	—	—	—	335,695	—	—	335,695
Unrealized gains on investments	—	—	—	144,528	—	—	144,528
Net Income For the Year Ended December 31, 2019	—	—	—	—	—	2,021,492	2,021,492
Balance, December 31, 2019	47,411,977	$ 50,824	$ 29,584,172	$ (2,415,460)	$ (5,353,019)	$ 24,705,069	$ 46,571,586

The accompanying notes are an integral part of these consolidated financial statements.

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
OPERATING ACTIVITIES		
Net income	$ 2,021,492	$ 6,080,762
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,467,007	896,681
Gain on sale of fixed assets	(114,641)	(117,693)
Bad debt expense	315,256	186,882
Stock awards issued for services	390,826	1,059,000
Changes in operating assets and liabilities:		
Accounts receivable	1,965,207	911,981
Income taxes receivable/payable	(665,649)	71,397
Inventories	1,630,632	(3,417,671)
Prepaid expenses	(1,184,385)	(14,301)
Deferred tax asset/liability	524,367	(12,275)
Accounts payable and accrued liabilities	1,363,090	(92,207)
Net Cash Provided by Operating Activities	7,713,202	5,552,556
INVESTING ACTIVITIES		
Proceeds from sale of equipment	116,785	219,063
Sale of investments	1,494,568	140,356
Purchase of fixed assets	(4,664,619)	(1,927,906)
Payments for acquisitions, net of cash acquired	(4,384,175)	—
Net Cash Used in Investing Activities	(7,437,441)	(1,568,487)
FINANCING ACTIVITIES		
Value of equity awards surrendered by employees for tax liability	(242,497)	(737,024)
Cash received in exercise of stock options	9,356	174,002
Purchase of treasury stock	(2,743,534)	(4,670,134)
Principal paid towards lease liability	(73,628)	—
Net Cash Used in Financing Activities	(3,050,303)	(5,233,156)
Effect of exchange rate changes on cash	31,466	(94,780)
NET DECREASE IN CASH	(2,743,076)	(1,343,867)
CASH AT BEGINNING OF PERIOD	10,101,932	11,445,799
CASH AT END OF PERIOD	$ 7,358,856	$ 10,101,932
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 6,497	$ —
Income taxes	$ 1,793,281	$ 2,163,826
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Issuance of common stock - Midflow acquisition	$ 1,020,000	$ —

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Line of Business

This Organization and Summary of Significant Accounting Policies of Profire Energy, Inc. and Subsidiary (the "Company") is presented to assist in understanding the Company's consolidated financial statements. The Company's accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP").

The Company provides burner-management products and services for the oil and gas industry primarily in the US and Canadian markets.

Reclassification

Certain balances in previously issued consolidated financial statements have been reclassified to be consistent with the current period presentation. These reclassifications had no impact on total financial position, net income, or stockholders' equity.

Recent Accounting Pronouncements

The Company has evaluated all recent accounting pronouncements and determined that the adoption of pronouncements applicable to the Company has not had, nor is expected to have, a material impact on the Company's financial position, results of operations, or cash flows.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include our wholly-owned subsidiary. Intercompany balances and transactions have been eliminated.

Foreign Currency and Comprehensive Income

The functional currencies of the Company and its Subsidiary in Canada are the U.S. Dollar ("USD") and the Canadian Dollar ("CAD"), respectively. The financial statements of the Subsidiary were translated to USD using year-end exchange rates for the balance sheet, and average exchange rates for the statements of operations. Equity transactions were translated using historical rates. The period-end exchange rates of 0.7673 and 0.7336 were used to convert the Company's December 31, 2019 and December 31, 2018 balance sheets, respectively, and the statements of operations used weighted average rates of 0.7608 and 0.7717 for the years ended December 31, 2019 and December 31, 2018, respectively. All amounts in the financial statements and footnotes are presumed to be stated in USD, unless otherwise identified. Foreign currency translation gains or losses as a result of fluctuations in the exchange rates are reflected in the Consolidated Statement of Income and Comprehensive Income (Loss), and the Consolidated Statements of Stockholders' Equity.

In addition to foreign currency translation gains and losses, the Company recognizes unrealized holding gains and losses on available-for-sale securities as part of comprehensive income, as discussed in the investments policy below.

Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. Certificates of deposit held for investment that are not debt securities are included in "investments-other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short term investments-other." Certificates of deposit with remaining maturities greater than one year are classified as "long term investments-other." Our cash and cash equivalents held in FDIC insured institutions can exceed the federally insured limit periodically and at the end of reporting periods. Our balances exceeded federally insured amounts by $5,180,136 and $8,091,348 as of December 31, 2019 and December 31, 2018, respectively.

Accounts Receivable

Receivables from the sale of goods and services are stated at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts. The allowance is calculated based on past collectability and customer relationships. The Company recorded an allowance for doubtful accounts of $169,705 and $144,940 as of December 31, 2019 and December 31, 2018, respectively. Uncollectible accounts are written off after all collection efforts have been exhausted and Credit Committee approval is granted. Bad debt expense recognized was $315,256 and $186,880 for the years ended December 31, 2019 and December 31, 2018, respectively.

Inventories

The Company's inventories are valued at the lower of cost (the purchase price, including additional fees) or market. Inventory costs are determined based on the average cost basis. A reserve for slow-moving and potentially obsolete inventories is recorded as of each balance sheet date and total inventories are presented net of that reserve.

Investments

Investments consist of available-for-sale debt securities and mutual funds invested in debt securities that the Company carries at fair value. Investments with original maturities of greater than three months at the date of purchase are classified as investments. Of these, bonds with maturities of less than one year, and mutual funds expected to be liquidated within one year from the balance sheet date, are classified as Short Term Investments. Bonds with maturities of greater than one year or mutual funds not expected to be liquidated within one year as of the balance sheet date are classified as Long Term Investments.

The Company accumulates unrealized gains and losses, net of tax, on the Company's available-for-sale securities in Accumulated Other Comprehensive Income (Loss) in the Shareholders' Equity section of its balance sheets. Such unrealized gains or losses do not increase or decrease net income for the applicable accounting period. The Company includes realized gains and losses on its available-for-sale securities in other income (expense), in its Statements of Operations. Dividend and interest income earned on all investments is included in earnings as other income.

Long-Lived Assets

The Company periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the asset's carrying amount. In the event the carrying amount of such asset is not considered recoverable, the asset is adjusted to its fair value.

Goodwill

Goodwill represents the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition. Goodwill is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company does not amortize goodwill in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 350, "Intangibles—Goodwill and Other" ("ASC 350"). Goodwill is tested for impairment at the reporting unit level. The reporting unit for goodwill testing purposes is the consolidated company as a whole.

Other Intangible Assets

The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other." Under the guidance, other intangible assets with definite lives are amortized over their estimated useful lives and tested annually for impairment or more frequently as circumstances warrant. Intangible assets with indefinite lives are tested annually for impairment.

Treasury Stock

Treasury stock repurchased and held by the Company is recorded as a separate line item on the Consolidated Balance Sheets. Treasury stock is held at cost until retired or reissued. Legal, brokerage, and other costs to acquire shares are not included in the cost of treasury stock. When treasury stock is reissued or retired, any gains are included as part of additional paid-in capital. Losses upon reissuance or retirement reduce additional paid-in capital to the extent that previous net gains from the same class of stock have been recognized and any losses above that are recognized as part of retained earnings.

Revenue Recognition

As part of the adoption of ASC 606 on January 1, 2018, the Company's revenue recognition policy has been updated. Refer to Note 10 for further details.

Cost of Sales

The Company includes product costs (i.e., material, direct labor and overhead costs), shipping and handling expense, production-related depreciation expense and product license agreement expense in cost of sales.

Advertising Costs

The Company classifies expenses for advertising as general and administrative expenses and recognizes the expense when incurred. The Company incurred advertising costs of $76,833 and $72,290 during the years ended December 31, 2019 and December 31, 2018, respectively.

Stock-Based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payments," which requires all share-based payments to employees to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of stock options. The intrinsic value method is used to value restricted stock and restricted stock units. The Company has elected to recognize forfeitures as they occur.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Sales to the Company's four largest customers represented approximately 14% and 16% of total sales during the years ended December 31, 2019 and December 31, 2018, respectively.

Income Taxes

The Parent is subject to US income taxes on a stand-alone basis. The Parent and its Subsidiary file separate stand-alone tax returns in each jurisdiction in which they operate. The Subsidiary is a corporation operating in Canada and is subject to Canadian income taxes on its stand-alone taxable income.

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences on the basis of assets and liabilities as reported for financial statement and income tax purposes. Deferred income taxes reflect the tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of certain deferred tax assets is dependent upon future earnings, if any. The Company makes estimates and judgments in determining the need for a provision for income taxes, including the estimation of our taxable income for each full fiscal year.

Shipping and Handling Fees and Costs

The Company records all amounts billed to customers related to shipping and handling fees as revenue. The Company classifies expenses for shipping and handling costs as cost of goods sold.

Defined Contribution Retirement Plan

The Company matches employee contributions to our 401(k) plan up to 4% of their annual salary. The expense is recognized as part of general and administrative expenses on the income statement and was $195,999 and $160,378 for the years ended December 31, 2019 and December 31, 2018, respectively. There were no changes made to the plan during either period.

Property and Equipment

Property and equipment are stated at historical cost and depreciated over the useful life of the asset using the straight-line method. Useful lives are assigned to assets depending on their category. For details regarding property and equipment, refer to Note 4.

Research and Development

The Company's policy is to expense all costs associated with research and development ("R&D") that have no future alternative uses when those costs are incurred. Costs incurred to acquire assets currently used in R&D that do have future alternative uses are capitalized and the cost of depreciation is included in R&D expense. To date, no R&D-related assets have been acquired.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Bond and mutual fund investments are presented at fair value as of the balance sheet date and accumulated gains or losses on those investments are reported in other comprehensive income. Refer to Note 2 for further details regarding instruments recorded at fair value.

Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by adjusting the weighted average number of shares of common stock outstanding for the dilutive effect, if any, of common stock equivalents. Common stock equivalents whose effect would be antidilutive are not included in diluted earnings per share. The Company uses the treasury stock method to determine the dilutive effect, which assumes that all common stock equivalents have been exercised at the beginning of the period and that the funds obtained from those exercises were used to repurchase shares of common stock of the Company at the average closing market price during the period. Refer to Note 13 for further details on the earning per share calculation.

NOTE 2 - FINANCIAL INSTRUMENTS AND INVESTMENTS

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements do not include transaction costs.

A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is divided into the following three categories:

Level 1:	Quoted market prices in active markets for identical assets or liabilities.
Level 2:	Observable market-based inputs or inputs that are corroborated by market data.
Level 3:	Unobservable inputs that are not corroborated by market data.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from financial instruments and any declines in the value of investments are temporary in nature. Money market funds and certificates of deposits are shown at cost on the balance sheet and their adjusted cost approximates their fair value.

The following tables show the adjusted cost, unrealized gains (losses) and fair value of the Company's cash and cash equivalents and investments held as of December 31, 2019 and 2018:

	December 31, 2019					
	Adjusted Cost	Pre-Tax Unrealized Gains/(Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	$ 1,318,986	$ —	$ 1,318,986	$ 1,318,986	$ —	$ —
Mutual Funds	1,889,553	2,210	1,891,763	—	—	1,891,763
	3,208,539	2,210	3,210,749	1,318,986	—	1,891,763
Level 2						
Certificates of Deposit	2,600,000	—	2,600,000	—	2,600,000	—
Corporate Bonds	2,102,484	12,903	2,115,387	—	451,605	1,663,782
Municipal Bonds	4,603,677	11,189	4,614,866	—	770,448	3,844,418
	9,306,161	24,092	9,330,253	—	3,822,053	5,508,200
Total	$ 12,514,700	$ 26,302	$ 12,541,002	$ 1,318,986	$ 3,822,053	$ 7,399,963

	December 31, 2018					
	Adjusted Cost	Pre-Tax Unrealized Gains/(Losses)	Fair Value	Cash and Cash Equivalents	Short Term	Long Term
Level 1						
Money Market Funds	$ 453,706	$ —	$ 453,706	$ 453,706	$ —	$ —
Mutual Funds	1,626,236	(80,557)	1,545,679	—	—	1,545,679
	2,079,942	(80,557)	1,999,385	453,706	—	1,545,679
Level 2						
Certificates of Deposit	3,596,484	—	3,596,484	—	3,596,484	—
Corporate Bonds	2,162,162	(39,072)	2,123,090	—	149,672	1,973,418
Municipal Bonds	5,320,242	(49,375)	5,270,867	—	811,584	4,459,283
	11,078,888	(88,447)	10,990,441	—	4,557,740	6,432,701
Total	$ 13,158,830	$ (169,004)	$ 12,989,826	$ 453,706	$ 4,557,740	$ 7,978,380

Pre-tax unrealized gains (losses) on investments incurred during the periods are presented below:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Unrealized Holding Gains (Losses)	$ 195,306	$ (47,339)

The maturities for bonds held by the Company as of December 31, 2019 are presented in the table below:

Maturity	Fair Value
Less Than One Year	$ 1,222,053
1-2 years	3,277,616
2-5 years	2,230,584
5-10 years	—
Over 10 years	—
	$ 6,730,253

NOTE 3 – INVENTORIES

Inventories consisted of the following at each balance sheet date:

	As of	
	December 31, 2019	December 31, 2018
Raw materials	$ —	$ 76,319
Finished goods	10,517,858	10,474,522
Work in process	—	—
Subtotal	10,517,858	10,550,841
Reserve for obsolescence	(946,051)	(891,270)
Total	$ 9,571,807	$ 9,659,571

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment and estimated useful lives are presented in the table below:

	As of		
	December 31, 2019	December 31, 2018	Est. Useful Life
Furniture and fixtures	$ 541,949	$ 476,386	7 years
Computers	365,941	346,773	3 years
Software	244,212	238,212	2 years
Machinery and equipment	744,627	663,409	7 years
Vehicles	3,126,140	2,892,912	5 years
Land and buildings	12,135,104	7,944,277	30 years
Total property and equipment	17,157,973	12,561,969	
Accumulated depreciation	(5,086,954)	(4,541,507)	
Net property and equipment	$ 12,071,019	$ 8,020,462	

The table below shows total depreciation and amortization expense and how depreciation is allocated between cost of goods sold and operating expenses:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Cost of goods sold - product depreciation	$ 294,622	$ 260,801
Cost of goods sold - service depreciation	193,570	134,802
Operating expense depreciation	340,634	472,547
Amortization expense	636,018	28,007
Total depreciation & amortization expense	$ 1,464,844	$ 896,157

NOTE 5 – INTANGIBLE ASSETS

Definite-lived intangible assets consist of developed technology, customer relationships, patents, trademarks, copyrights, domain names, trade names and distribution agreements. The costs of developed technology, customer relationships and trade names are amortized over the respective useful life of each asset, ranging from 3-18 years. The costs of the patents are amortized over 20 years once the patent is approved. The costs of the distribution agreements are amortized over the remaining life of the agreements. Indefinite-lived intangible assets consist of goodwill. In accordance with ASC 350, goodwill is not amortized but tested for impairment annually or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. We test goodwill for impairment as of each balance sheet date. Intangible assets consisted of the following:

Definite-lived intangible assets

	As of	
	December 31, 2019	December 31, 2018
Definite-lived intangible assets	$ 2,140,502	$ 579,039
Less: Accumulated amortization	(150,720)	(149,083)
Total definite-lived intangible assets, net	$ 1,989,782	$ 429,956

During 2019, definite-lived intangible assets increased by $2,100,000 related to acquisitions. See Note 9 for further details. This increase was partially offset by a patent impairment. As a result of deterioration in market conditions related to chemical management systems during 2019, we determined that a patent was impaired and recorded an impairment of $417,777. This impairment was included in Depreciation and amortization expense in the Consolidated Statements of Operations and Comprehensive Income and represented the excess of the carrying value of this patent over its estimated fair value, which was calculated using an undiscounted cash flow analysis.

Estimated amortization expense for the next five years related to the definite-lived intangible assets is displayed in the following table:

For the Years Ending December 31,	Amount
2020	$ 219,260
2021	$ 219,260
2022	$ 214,260
2023	$ 199,885
2024	$ 142,176
Greater than 5 years	$ 994,941

Indefinite-lived intangible assets

	As of	
	December 31, 2019	December 31, 2018
Goodwill	$ 2,579,381	$ 997,701

During 2019, goodwill increased by $1,581,680 related to acquisitions. See Note 9 for further details.

The Company determined that the fair value of the reporting unit related to the goodwill was not less than its carrying value. As such, the Company did not have any goodwill impairment for the year ended December 31, 2019.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at each balance sheet date:

	As of	
	December 31, 2019	December 31, 2018
Employee-related payables	$ 1,657,826	$ 1,408,455
Inventory-related payables	—	174,959
Warranty liabilities	166,301	79,787
Acquisition liabilities	162,907	—
Other	102,357	93,744
Total	$ 2,089,391	$ 1,756,945

NOTE 7 – LEASES

We have leases for office equipment and office space. The leases for office equipment are classified as financing leases and the typical term is36 months. We have the option to extend most office equipment leases, but we do not intend to do so. Accordingly, no extensions have been recognized in the right-of-use asset or lease liability. The office equipment lease payments are not variable and the lease agreements do not include any non-lease components, residual value guarantees, or restrictions. There are no interest rates implicit in the office equipment lease agreements, so we have used our incremental borrowing rate to determine the discount rate to be applied to our financing leases. The weighted average discount rate applied to our financing leases is 4.50% and the weighted average remaining lease term is 23.8 months.

The following table shows the components of financing lease cost:

Financing Lease Cost	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Amortization of right-of-use assets	$ 77,134	$ —
Interest on lease liabilities	5,805	—
Total financing lease cost	$ 82,939	$ —

The following table reconciles future minimum lease payments to the discounted finance lease liability:

Years ending December 31,	Amount
2020	$ 62,995
2021	40,921
2022	12,803
2023	—
2024	—
Thereafter	—
Total future minimum lease payments	**$ 116,719**
Less: Amount representing interest	5,223
Present value of future payments	$ 111,496
Current portion	$ 59,376
Long-term portion	$ 52,120

Because our office space leases are short-term, we have elected not to recognize them on our balance sheet under the short-term recognition exemption. During the year ended December 31, 2019, we recognized $60,590 in short-term lease costs associated with office space leases.

NOTE 8 – STOCKHOLDERS' EQUITY

As described in Note 1, treasury stock is recorded at cost until reissued or retired. As of December 31, 2019 and December 31, 2018, the Company held 3,412,378 and 1,775,500 shares in treasury at a total cost of $5,353,019 and $2,609,485, respectively. All purchases of treasury stock have been made at market prices.

On April 22, 2019, the Board of Directors (the "Board") of the Company approved the 2019 Executive Incentive Plan (the "EIP") for Brenton W. Hatch, the Company's President and Chief Executive Officer, Ryan W. Oviatt, the Company's Chief Financial Officer, Cameron M. Tidball, the Company's Chief Business Development Officer, Jay G. Fugal, the Company's Vice President of Operations, and Patrick D. Fisher, the Company's Vice President of Product development. The EIP provides for the potential award of bonuses to the participants based on the Company's financial performance in fiscal year 2019. If earned, the bonuses will be payable in cash and stock, and the stock portion of the bonuses is intended to constitute an award under the Company's 2014 Equity Incentive Plan, as amended (the "Plan"). In addition to the EIP, the Board also approved as a long-term incentive the grants of restricted stock unit awards to Messrs. Oviatt, Tidball, Fugal, and Fisher pursuant to the Plan (the "2019 LTIP").

2019 EIP

Under the terms of the EIP, each participating executive officer has been assigned a target bonus amount for fiscal 2019. The target bonus amount for Mr. Hatch is $412,000, the target bonus amount for Mr. Oviatt is $90,125, the target bonus amount for Mr. Tidball is $84,357, the target bonus for Mr. Fugal is $41,200, and the target bonus for Mr. Fisher is $38,750 CAD. Under no circumstance can the participants receive more than two times the target bonus amount assigned to such participant.

Participants will be eligible to receive bonuses based upon reaching or exceeding performance goals established by the Board or its Compensation Committee for fiscal 2019. The performance goals in the EIP are based on the Company's total revenue, net income, free cash flow, and product development milestones. Each of these performance goals will be weighted 25% in calculating bonus amounts.

The bonus amounts earned under the EIP will be paid 50% in cash and 50% in shares of Restricted Stock under the Plan. In no event shall the total award exceed 200% of the target bonus amount for each participant, or exceed any limitations otherwise set forth in the Plan. The actual bonus amounts will be determined by the Compensation Committee of the Board. See subsequent event footnote (note 17) for the award determination.

2019 LTIP

The 2019 LTIP consists of total awards of up to 66,213 restricted stock units ("Units") to Mr. Oviatt, up to 51,646 Units to Mr. Tidball, up to 35,313 Units to Mr. Fugal, and up to 24,862 Units to Mr. Fisher pursuant to two separate Restricted Stock Unit Award Agreements to be entered between the Company and each participant. One agreement covers 33% of each award recipient's Units that are subject to time-based vesting, and the other agreement covers the remaining 67% of such award recipient's Units that may vest based on performance metrics. Upon vesting, the award agreements entitle the award recipients to receive one share of the Company's common stock for each vested Unit. The vesting period of the 2019 LTIP began on January 1, 2019 and terminates on December 31, 2021.

On March 14, 2019, the Board approved a grant of 85,000 restricted stock units ("RSUs") to various employees. The awards vest annually over five years and will result in a total compensation expense of $149,600 to be recognized over the vesting period.

On June 12, 2019, the Board approved a grant of 183,942 RSUs to Independent Directors. Half of the RSUs vest immediately on the date of grant and the remaining 50% of the RSUs will vest on the first anniversary of the grant date or at the Company's next Annual Meeting of Stockholders, whichever is earlier. The awards will result in total compensation expense of $252,000 to be recognized over the vesting period.

NOTE 9 – ACQUISITIONS

Millstream Energy Products

On June 18, 2019, our wholly-owned subsidiary, Profire Combustion, Inc., acquired substantially all the assets from Millstream Energy Products, LTD., a Canadian corporation ("MEP"). MEP is a privately-held Canadian company that develops a line of high-performance burners, economy burners, flame arrestor housings, secondary air control plates, and other related combustion components. MEP's full line of products became available for sale by Profire's existing sales team immediately after closing of the transaction. These products complement our burner-management system (BMS) product offerings and should enable us to supply a larger portion of the total BMS package sale to our customers.

The acquisition was accounted for as a business combination in accordance with ASC 805,*Business Combinations.* The purchase price of $2,219,782 was funded through existing cash. Of this cash purchase amount $140,257 was held back for 6 months pending satisfaction of seller obligations under the purchase agreement and was still outstanding at 12/31/2019 pending final negotiations with the seller. The seller is also entitled to receive a 4.5% royalty on proprietary MEP product revenue generated during the next five years.

Profire hired a valuation firm to perform the purchase price allocation based on the net assets received and the price paid. Based on the fair value of the net assets at the time of purchase, the Company recorded intangible assets in the amount of $990,000 and goodwill of $17,681. Intangible assets include customer relationships, the trade name and developed technology.

The purchase price calculation is a follows:

Cash	$	2,079,525
Liabilities		140,257
	$	2,219,782

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of purchase:

Accounts receivable	$	207,145
Inventory		1,119,143
Intangible assets		990,000
Goodwill		17,681
Accounts payable		(114,187)
	$	2,219,782

Transaction and related costs directly related to the acquisition of MEP, consisting primarily of professional fees and integration expenses, have amounted to approximately $136,811, were expensed as incurred and are included in general and administrative expenses.

<u>Midflow Services</u>
On August 5, 2019, we acquired all of the outstanding membership interests of Midflow Services, LLC ("Midflow"). Midflow is based in Millersburg, Ohio. Midflow provides packaged combustion solutions and services to the upstream and midstream oil and gas industry.

The acquisition was accounted for as a business combination in accordance with ASC 805,*Business Combinations.* The purchase price of $3,439,371 was funded through a combination of existing cash and shares of the Company's common stock. The cash portion of the purchase price includes $500,000 placed in an escrow account for 12 months pending satisfaction of certain obligations under the purchase agreement.

Profire hired a valuation firm to perform the purchase price allocation based on the net assets received and the price paid. Based on the fair value of the net assets at the time of purchase, the Company recorded intangible assets in the amount of $1,110,000 and goodwill of $1,564,000. Intangible assets include customer relationships, the trade name and developed technology.

The purchase price calculation is as follows:

Cash	$	2,419,371
Stock		1,020,000
	$	3,439,371

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of purchase:

Cash	$	172,850
Accounts receivable		324,989
Inventory		269,746
Prepaid expenses		13,180
Property and equipment		126,000
Intangible assets		1,110,000
Goodwill		1,564,000
Accounts payable		(134,956)
Accrual liabilities		(6,438)
	$	3,439,371

Transaction costs directly related to the acquisition of Midflow, consisting primarily of professional fees and integration expenses, amounted to approximately $44,087. All of these costs were expensed as incurred and are included in general and administrative expenses.

NOTE 10 - REVENUE

On January 1, 2018, we adopted Topic 606. We elected to use the modified retrospective approach for contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented in accordance with Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting method under Topic 605. As a result of applying the new standard, there were no changes to any financial statement line items.

Performance Obligations

Our performance obligations include providing product and servicing our product. We recognize product revenue performance obligations in most cases when the product is delivered to the customer. If we are shipping the product on a customer's account, we recognize revenue when the product has been shipped. At that point in time, the control of the product is transferred to the customer. When we perform service work, we apply the practical expedient that allows us to recognize service revenue when we have the right to invoice the customer for the work completed. We do not engage in transactions acting as an agent. We usually satisfy our performance obligations within a few months of entering into the contract. Depending on the size of the project, the performance obligations could be satisfied sooner or later.

Our customers have the right to return certain unused and unopened products within 90 days for an appropriate restocking fee. We provide a warranty on some of our products ranging from 90 days to 2 years, depending on the product. The amount accrued for expected returns and warranty claims was immaterial as of December 31, 2019.

Contract Balances

We have elected to use the practical expedient in ASC 340-40-25-4 (regarding recognition of the incremental costs of obtaining a contact) for costs related to contracts that are estimated to be completed within one year. All of the current contracts are expected to be completed within one year, and as a result, we have not recognized a contract asset account. If we had chosen not to use this practical expedient, we would not expect a material difference in the contract balances. We also did not have any material contract liabilities because we typically do not receive payments in advance of recognizing revenue.

Significant Judgments

For most revenue contracts, we invoice the customer when the performance obligation is satisfied and payment is due30 days later. Occasionally, other terms such as progress billings or longer terms are agreed to on a case-by-case basis. We do not have significant financing components, non-cash consideration, or variable consideration. We estimate the transaction price between performance obligations based on stand-alone product prices. We elected the practical expedient by which disclosures are not required regarding the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

Disaggregation of Revenue

All revenue recognized in the income statement is considered to be revenue from contracts with customers. The table below shows revenue by category:

	For the Year Ended December 31, 2019	
Electronics	$	15,674,290
Manufactured		1,829,991
Re-Sell		18,703,872
Service		2,773,160
Total Revenue	$	38,981,313

NOTE 11 – STOCK-BASED COMPENSATION

Periodically the Company issues stock-based awards to employees and independent directors. Vesting terms for outstanding grants vary by grant, ranging from immediate to ratably over 5 years. Typically, grants expire one year after the final vesting. The Board has authorized 4,812,000 shares to be granted for such awards under the Company's 2014 Equity Incentive Plan (the "Plan"). Historically, the Company has only issued non-qualified stock options, restricted stock, and restricted stock units; however, the Plan does allow for other types of awards to be granted in the future. Most awards have been exercisable or convertible based solely on meeting service conditions; however, some grants to executives have been made convertible based on meeting both service and performance conditions. Upon exercise or conversion, the Company may issue new shares or reissue shares held in treasury, at the discretion of Management. The Company has elected to recognize forfeitures as they occur.

The Company uses the Black-Scholes method for measuring compensation cost of stock options and the intrinsic value method for measuring compensation cost of restricted stock and restricted stock units. Total compensation cost for share-based payments recognized in income was $372,312 and $989,651 during the years ended December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, the Company had $379,809 in unamortized compensation expense with a weighted average of 2.25 years remaining. The Company received $9,356 and $174,002 in cash from the exercise of share options during the years ended December 31, 2019 and December 31, 2018, respectively. For the tax effect on total compensation expense and the exercise of options, see Note 12 for the income tax provision.

During the years ended December 31, 2019 and December 31, 2018, the intrinsic value of options exercised was $155,406 and $2,430,697, respectively. The total fair value of options, restricted stock, and restricted stock units vested during the years ended December 31, 2019 and December 31, 2018 was $945,722 and $1,071,031, respectively. During the years ended December 31, 2019 and December 31, 2018 the Company granted 654,290 and 425,767 awards, respectively, with weighted-average grant date fair values of $1.62 and $2.54, respectively.

Information regarding outstanding options, restricted stock awards, and restricted stock units is summarized in the tables below:

Total Outstanding and Exercisable Awards December 31, 2019

		Awards Outstanding			Awards Exercisable		
Grant Price Low	Grant Price High	Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price
$ —	$ 1.00	590,194	2.34	$ —	—		
$ 1.01	$ 2.00	138,333	0.40	$ 1.01	138,333	0.40	$ 1.01
$ 2.01	$ 4.03	44,600	0.33	$ 4.03	44,600	0.33	$ 4.03
		773,127	1.88	$ 0.41	182,933	0.38	$ 1.75

Total Outstanding and Exercisable Awards December 31, 2018

		Awards Outstanding			Awards Exercisable		
Grant Price Low	Grant Price High	Quantity	Remaining Contractual Life (Years)	Exercise Price	Quantity	Remaining Contractual Life (Years)	Exercise Price
$ —	$ 0.51	376,380	2.59	$ —	—		
$ 0.52	$ 1.09	170,666	1.40	$ 1.01	74,499	1.40	$ 1.01
$ 1.10	$ 1.27	300,000	0.84	$ 1.17	300,000	0.84	$ 1.17
$ 1.28	$ 2.61	151,000	0.49	$ 1.37	151,000	0.49	$ 1.37
$ 2.62	$ 4.03	250,400	0.95	$ 3.89	238,400	0.93	$ 3.88
		1,248,446	1.42	$ 1.36	763,899	0.85	$ 2.04

Information regarding stock options for the year ended December 31, 2019 is summarized in the tables below:

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	872,066	$ 1.95		1.21		$ 170,973
Exercised/Released	(381,666)	$ 1.22	$ 1.63	0.67		$ 155,406
Canceled/Forfeited	(16,467)	$ 2.11		2.12		$ 5,617
Expired	(291,000)	$ 3.04		1.85		$ 47,000
Outstanding, end of period	182,933	$ 1.75		1.26	0.38	$ 60,867
Vested and unvested exercisable, end of the period	182,933	$ 1.75		1.26	0.38	$ 60,867
Vested and expected to vest, end of the period	182,933	$ 1.75		1.26	0.38	$ 60,867

Stock Options	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	107,967	$ 1.34	$ 0.83	
Canceled/Forfeited	—	$ —	$ —	
Expired	—			
Vested, outstanding shares	(107,967)	$ 1.34	$ 0.83	
Unvested Outstanding, end of period	—	$ —	$ —	$ —

Information regarding restricted stock awards for the year ended December 31, 2019 is summarized in the tables below:

Restricted Stock Awards	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	24,334	$ —		$ 4.02		$ 35,284
Granted	—	$ —		$ —		$ 38,204
Exercised/Released	(24,334)	$ —	$ 1.57	$ 4.02		$ —
Outstanding, end of period	—	$ —		$ —	—	$ —
Vested and exercisable, end of the period	—					$ —
Vested and expected to vest, end of the period	—	$ —		$ —	—	$ —

Restricted Stock Awards	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	24,334	$ —	$ 4.02	
Granted	—	$ —	$ —	
Vested, outstanding shares	(24,334)	$ —	$ 4.02	
Unvested Outstanding, end of period	—	$ —	$ —	—

Information regarding restricted stock units for the year ended December 31, 2019 is summarized in the tables below:

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	151,276	$ —		$ 2.49		$ 219,350
Granted	328,287	$ —		$ 1.51		$ 494,704
Exercised/Released	(190,228)	$ —	$ 1.43	$ 1.99		$ 271,244
Cancelled/Forfeited	(18,600)	$ —		$ 1.87		$ 28,660
Outstanding, end of period	270,735	$ —		$ 1.69	3.09	$ 392,566
Vested and exercisable, end of the period	—					$ —
Vested and expected to vest, end of the period	270,735	$ —		$ 1.69	3.09	$ 392,566

Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	151,276	$ —	$ 2.49	
Granted	328,287	$ —	$ 1.51	
Cancelled/Forfeited	(18,600)	$ —	$ 1.87	
Vested, outstanding shares	(190,228)	$ —	$ 1.99	
Unvested Outstanding, end of period	270,735	$ —	$ 1.69	2.48

Information regarding performance based restricted stock units for the year ended December 31, 2019 is summarized in the tables below:

Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	200,770	$ —		$ 2.22		$ 291,117
Granted	118,689	$ —		$ 1.57		$ 186,204
Outstanding, end of period	319,459	$ —		$ 1.97	1.71	$ 463,216
Vested and exercisable, end of the period	—					$ —
Vested and expected to vest, end of the period	16,689	$ —		$ 1.90	0.25	$ 24,200

Performance Based Restricted Stock Units	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested Outstanding, beginning of period	200,770	$ —	$ 2.22	
Granted	118,689	$ —	$ 1.57	
Unvested Outstanding, end of period	319,459	$ —	$ 1.97	—

NOTE 12 – PROVISION FOR INCOME TAXES

During the years ended December 31, 2019 and December 31, 2018, the Company recognized no interest or penalties related to income taxes. Accordingly, the Company had no accruals for interest and penalties at December 31, 2019 nor December 31, 2018. If the Company were to incur such charges, it would elect to recognize interest related to underpayment of income taxes in interest expense and recognize any penalties in operating expenses.

The Company is current on its U.S. and Canadian income tax filings. Tax years that remain open for examination are 2017 through 2019 in the U.S. and 2014 through 2019 in Canada. At December 31, 2019 and December 31, 2018, the Company had operating loss carryforwards at its Canadian subsidiaries of $2,299,951 and $681,646 respectively which have not been recorded on the balance sheet. The Company invests in available-for-sale securities that are reported on the balance sheet at fair value, with the gains/losses reported net of tax as part of Other Comprehensive Income (OCI). The tax expense allocated to OCI during the year ended December 31, 2019 was $37,103 and the tax benefit allocated to OCI during the year ended December 31, 2018 was $12,308.

The Company has not provided a valuation allowance at December 31, 2019 nor December 31, 2018. The valuation allowance did not change between December 31, 2018 and December 31, 2019. Realization of the deferred tax asset is dependent on generating sufficient taxable income to offset the tax items that will be deductible in the future. Although realization is not assured, Management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

The table below outlines the components of income tax expense (benefit):

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Current		
Federal	$ 961,991	$ 2,442,638
State	241,101	128,560
Foreign	(130,610)	(54,032)
Total Current	1,072,482	2,517,166
Deferred		
Federal	382,513	31
State	91,074	3
Total Deferred	473,587	34
Total Provision for Income Taxes	$ 1,546,069	$ 2,517,200

The table below reconciles our effective tax rate to the statutory tax rate:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Federal statutory tax rate	21.0 %	21.0 %
State statutory tax rate, net of federal effect	4.0 %	4.0 %
Stock-based compensation	13.6 %	0.4 %
Depreciation expense	7.3 %	(0.5) %
Non-U.S. operations	19.1 %	2.3 %
State tax (over)/under accrual in prior year	(11.4) %	0.0 %
Other	(10.3) %	2.1 %
Effective tax rate	43.3 %	29.3 %

The table below shows the components of deferred taxes:

	As of	
	December 31, 2019	December 31, 2018
Stock compensation	$ —	$ 64,861
Bad debt	39,180	31,806
Inventory reserve	243,281	229,153
Amortization	9,377	4,967
Unrealized loss on investments	—	43,941
Deferred tax asset	$ 291,838	$ 374,728
Unrealized gain on investments	$ 6,839	$ —
Depreciation	446,208	289,636
Stock compensation	278,066	—
Deferred tax liability	$ 731,113	$ 289,636
Net Deferred Tax Asset (Liability)	$ (439,275)	$ 85,092

NOTE 13 – BASIC AND DILUTED EARNINGS PER SHARE

The following table is a reconciliation of the numerator and denominators used in the earnings per share calculation:

	2019			2018		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	$ 2,021,492	47,490,937	$ 0.04	$ 6,080,762	48,471,011	$ 0.13
Effect of Dilutive Securities						
Stock options & RSUs	—	642,812		—	751,342	
Diluted EPS						
Net income available to common stockholders + assumed conversions	$ 2,021,492	48,133,749	$ 0.04	$ 6,080,762	49,222,353	$ 0.12

Options to purchase 44,600 shares of common stock at a weighted average exercise price of $4.03 per share were outstanding during the year ended December 31, 2019, but were not included in the computation of diluted EPS because the effect would be anti-dilutive. These options, which expire in May 2020, were still outstanding at December 31, 2019.

Options to purchase 250,400 shares of common stock at a weighted average exercise price of $3.89 per share were outstanding during the year ended December 31, 2018, but were not included in the computation of diluted EPS because the effect would be anti-dilutive.

NOTE 14 – SEGMENT INFORMATION

The Company operates in the United States and Canada. Segment information for these geographic areas is as follows:

	For the Year Ended December 31,	
Revenues	2019	2018
Canada	$ 5,742,296	$ 5,861,150
United States	33,239,017	39,753,385
Total Consolidated	$ 38,981,313	$ 45,614,535

	For the Year Ended December 31,	
Profit (Loss)	2019	2018
Canada	$ (2,241,856)	$ (870,498)
United States	4,263,348	6,951,260
Total Consolidated	$ 2,021,492	$ 6,080,762

	As of	
Long-lived assets	December 31, 2019	December 31, 2018
Canada	$ 6,068,061	$ 2,509,129
United States	18,080,075	15,002,462
Total Consolidated	$ 24,148,136	$ 17,511,591

NOTE 15 – QUARTERLY INFORMATION (UNAUDITED)

Quarterly data for the periods below consisted of the following:

	For the Quarters Ending			
	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019
Total revenues	$ 10,833,058	$ 10,124,031	$ 9,905,761	$ 8,118,463
Gross profit	5,764,872	5,187,038	5,169,296	3,407,153
Income from operations	2,138,061	996,559	1,141,452	(1,111,672)
Income tax expense	577,525	117,939	290,943	559,662
Net income	1,668,618	985,504	921,748	(1,554,378)
Basic earnings per common share	$ 0.04	$ 0.02	$ 0.02	$ (0.03)
Diluted earnings per common share	$ 0.03	$ 0.02	$ 0.02	$ (0.03)

	For the Quarters Ending			
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018
Total revenues	$ 12,169,718	$ 11,339,761	$ 11,499,902	$ 10,605,154
Gross profit	6,130,141	5,908,667	6,098,126	4,764,246
Income from operations	2,256,301	2,097,769	2,396,396	1,223,492
Income tax expense	493,820	575,363	864,874	583,143
Net income	1,876,228	1,714,267	1,659,087	831,180
Basic earnings per common share	$ 0.04	$ 0.04	0.03	0.02
Diluted earnings per common share	$ 0.04	$ 0.03	0.03	0.02

Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts may not equal the total computed for the year.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

In March 2014 the Company entered into a consulting agreement with Terra Industrial with Alan Johnson as agent in order to replace a prior royalty agreement. The agreement is for the term of 10 years with fees of $100,000 CAD paid quarterly. The agreement expires in March of 2024.

The Company has operating leases for office space in Texas and Pennsylvania. Expense recognized for operating leases was $60,590 and $44,860 for the years ended December 31, 2019 and December 31, 2018, respectively. The future minimum lease payments for operating leases as of December 31, 2019, consisted of the following:

Years ending December 31,	Operating Leases
2020	$ 15,800
2021	—
2022	—
2023	—
2024	—
Thereafter	—
Total	$ 15,800

NOTE 17 – SUBSEQUENT EVENTS

In accordance with ASC 855 "Subsequent Events," Company management reviewed all material events through the date this report was issued and the following subsequent events took place:

In December 2019, a novel strain of coronavirus that causes a respiratory disease named coronavirus disease 2019 (COVID-19) was reported to have surfaced in Wuhan, China. We source some product from factories within Wuhan, China, that may be affected by the coranavirus and extend lead times on certain products. The extent to which the novel coronavirus may impact our results will depend on future developments, which are highly uncertain and cannot be predicted.

On March 4, 2020, the Company's Board of Directors approved a one-time executive bonus in the amount of $828,787 for meeting targets pursuant to the previously announced "2019 Executive Incentive Plan." Half of the bonus is to be paid in cash by March 15, 2020, and half of the bonus was settled by issuing 343,748 shares of common stock under the Company's 2014 Equity Incentive Plan, which was fully vested on the date of grant.

On March 4, 2020, the Company's Board of Directors approved a one-time executive bonus that was settled by issuing 16,689 shares of common stock for meeting targets pursuant to the previously announced "2017 Long-Term Incentive Plan", which was put in place under the Company's 2014 Equity Incentive Plan. These shares were fully vested as of March 4, 2020.

On March 9, 2020, the average WTI price per barrel decreased roughly 25%. The price per barrel could influence our customers' willingness to make operating and capital expenditures to transport, refine and produce oil and natural gas. If our customers reduce or eliminate such operating and capital expenditures, it may adversely affect our business and financial condition.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the design and effectiveness of our internal controls over financial reporting and disclosure controls and procedures (pursuant to Rule 13a-15(b-c) under the Securities Exchange Act of 1934, as amended ("Exchange Act") as of December 31, 2019. These controls are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, Management concluded that our controls were effective as of December 31, 2019.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Because of these inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the Company's management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commissions (2013).

Based upon this assessment, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our financial statements included in this annual report on Form 10-K have been audited by Sadler, Gibb & Associates, LLC, independent registered public accounting firm, as indicated in the report included elsewhere herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the fiscal year ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation

Pursuant to Item 308(b) of Regulation S-K, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform Act), this report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. The Wall Street Reform Act permanently exempts small public companies from the requirement to obtain an external audit on the effectiveness of internal financial reporting controls.

Limitations on the Effectiveness of Internal Controls

An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by Management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to our Definitive Proxy Statement for the Annual Meeting of Stockholders to be filed no later than 120 days after December 31, 2019 (the "Proxy Statement").

Item 11. Executive Compensation

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

Incorporated herein by reference to the information to be set forth in the Proxy Statement.

PART IV
Item 15. Exhibits, Financial Statement Schedules

Exhibits. The following exhibits are included as part of this report:

Exhibit 3.1	Articles of Incorporation(1)
Exhibit 3.2	Articles of Amendment to the Articles of Incorporation (2)
Exhibit 3.3	Amended and Restated Bylaws (3)
Exhibit 4.1	Description of Registrant's Securities
Exhibit 10.1	Stock Redemption Agreement dated November 15, 2016 between the Registrant and Harold Albert (19)
Exhibit 10.2	Employment Agreement of Brenton W. Hatch dated June 28, 2013 (16)+
Exhibit 10.3	Restricted Stock Unit Award Agreement between the Registrant and Ryan Oviatt dated October 12, 2017 (17)+
Exhibit 10.4	Employment Agreement of Ryan Oviatt dated September 4, 2015 (18)+
Exhibit 10.5	Form of Indemnification Agreement between the Registrant and its Directors (4)
Exhibit 10.6	2003 Stock Incentive Plan (5)
Exhibit 10.7	Profire Energy, Inc. 2010 Equity Incentive Plan (6)
Exhibit 10.8	Profire Energy, Inc. 2014 Equity Incentive Plan (20)
Exhibit 10.9	Profire Energy, Inc. 2014 Equity Incentive Plan Amendment (7)
Exhibit 10.10	Form of Equity Grant Agreement, Nonqualified Stock Option (8)
Exhibit 10.11	Form of Equity Grant Agreement, Restricted Stock (9)
Exhibit 10.12	Form of Equity Grant Agreement, Restricted Stock Units (10)
Exhibit 10.13	Securities Purchase Agreement, dated November 12, 2013 between the Registrant and the persons listed therein as purchasers (13)
Exhibit 10.14	Registration Rights Agreement, dated November 18, 2013 between the Registrant and the persons listed in the Securities Purchase Agreement as purchasers (14)
Exhibit 10.15	Retirement and Release Agreement with Harold Albert dated February 23, 2017 (15)
Exhibit 10.16	Amended and Restated Employment Agreement of Brenton W. Hatch dated August 3, 2017 (21)+
Exhibit 10.17	Amended and Restated Employment Agreement of Ryan Oviatt dated August 3, 2017 (22)+
Exhibit 10.18	Consulting Agreement, dated March 24, 2014, between the Registrant on the one hand and Terra Industrial Corporation and Alan Johnson on the other (12)
Exhibit 10.19	Stock Redemption Agreement, dated May 25, 2017, between Profire Energy, Inc. and Hatch Family Holdings Company, LLC, which is wholly owned by Brenton W. Hatch (23)
Exhibit 10.20	Restricted Stock Unit Award Agreement by and between Profire Energy, Inc. and Ryan Oviatt, dated October 12, 2017 (24)+
Exhibit 10.21	2018 Annual Executive Incentive Plan +*(25)
Exhibit 10.22	Restricted Stock Unit Agreement between Profire Energy and Ryan Oviatt dated March 2, 2018 +*(26)
Exhibit 10.23	Restricted Stock Unit Agreement between Profire Energy and Cameron Tidball dated March 30, 2018 +*(27)
Exhibit 10.24	Restricted Stock Unit Agreement between Profire Energy and Jay Fugal dated March 30, 2018 +*(28)
Exhibit 10.25	Stock Redemption Agreement between Profire Energy, Inc. and Hatch Family Holdings Company, LLC(29)
Exhibit 10.26	Stock Redemption Agreement between Profire Energy, Inc. and Harold Albert (30)
Exhibit 14.1	Code of Ethics (11)
Exhibit 21	Subsidiaries of Registrant
Exhibit 23.1	Consent of Sadler, Gibb & Associates, LLC, independent registered public accounting firm*
Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)*
Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)*
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350*
Exhibit 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 *
Exhibit 101.INS	XBRL Instance Document**
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document**
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document**
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed herewith
+ Indicates Management contract, compensatory plan, or arrangement with the Company

** The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

(1)	Incorporated by reference to the Registration Statement of the Registrant on Form SB-@ filed with the Commission on September 24, 2004.
(2)	Incorporated by reference to Exhibit 3.1 to the Registrant's quarterly Report on Form 10-Q filed with the commission on February 13, 2009.
(3)	Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 23, 2013.
(4)	Incorporated by reference to Exhibit 10.7 to the Registrant's Form S-1 filed on December 24, 2013 (File No. 333-193086).
(5)	Incorporated by reference to Exhibit 4.01 to the Registrant's Form SB-2 filed on September 24, 2004 (File No. 000-52376).
(6)	Incorporated by reference to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on November 10, 2009 (File No. 000-52376).
(7)	Incorporated by reference to Appendix B to the Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on May 1, 2017.
(8)	Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed with the Commission on June 13, 2016.
(9)	Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed with the Commission on June 13, 2016.
(10)	Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the Commission on June 13, 2016.
(11)	Incorporated by reference to Exhibit 14.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2015 (File No. 000-52376).
(12)	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on March 25, 2015 (File No. 000-52376)
(13)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).
(14)	Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed November 18, 2013 (File No. 000-52376).
(15)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 27, 2017 (File No. 001-36378).
(16)	Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 filed with the Commission on July 2, 2013 (File No. 000-52376)
(17)	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on October 17, 2017 (File No. 001-36378)
(18)	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on September 8, 2015 (File No. 001-36378)
(19)	Incorporated by reference to Exhibit 10.1 to the Registrant's Transition Report on Form 10-K filed with the Commission on March 9, 2017.
(20)	Incorporated by reference to Exhibit 10.9 to the Registrant's Transition Report on Form 10-K filed with the Commission on March 9, 2017.
(21)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 9, 2017 (File No. 001-36378).
(22)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 9, 2017 (File No. 001-36378).
(23)	Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2017.
(24)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 17, 2017 (File No. 001-36378).
(25)	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 9, 2018.
(26)	Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 9, 2018.

(27)	Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 9, 2018.
(28)	Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 9, 2018.
(29)	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 9, 2018 (File No. 001-36378).
(30)	Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 9, 2018 (File No. 001-36378).
(31)	Incorporated by reference to Exhibit 10.6 to the Registrant’s quarterly Report on Form 10-Q filed with the Commission on August 7, 2019.
(32)	Incorporated by reference to Exhibit 10.6 to the Registrant’s quarterly Report on Form 10-Q filed with the Commission on November 6, 2019.

Item 16. Form 10-K Summary

The Company has chosen not to include an optional summary of the information required by this Form 10-K. For a reference to information in the Form 10-K, investors should refer to the Table of Contents to this Form 10-K.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

PROFIRE ENERGY, INC.

Brenton W. Hatch
Chief Executive Officer

March 11, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Brenton W. Hatch Brenton W. Hatch	Chief Executive Officer Chairman of the Board (Principal Executive Officer)	March 11, 2020
/s/ Ryan Oviatt Ryan Oviatt	Chief Financial Officer Director (Principal Financial and Accounting Officer)	March 11, 2020
/s/ Arlen B. Crouch Arlen B. Crouch	Director	March 11, 2020
/s/ Daren J. Shaw Daren J. Shaw	Director	March 11, 2020
/s/ Ronald R. Spoehel Ronald R. Spoehel	Director	March 11, 2020

Description of Equity Securities
Registered under Section 12 of the Exchange Act

As of March 9, 2020, Profire Energy, Inc. (the "Company") has one class of securities, our common stock, registered under Section 12 of the Securities Exchange Act of 1934, as amended.

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Articles of Incorporation and Articles of Amendment to the Articles of Incorporation (the "Articles of Incorporation") and our Amended and Restated Bylaws (as amended from time to time, the "Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.4 is a part. We encourage you to read our Articles of Incorporation, our Bylaws and the applicable provisions of the Nevada Corporation Law ("NCL") for additional information.

Description of Common Stock

We are authorized to issue 100,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. The rights, privileges and preferences of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which the Company may designate and issue in the future.

Holders of common stock possess exclusive voting rights in the Company, except to the extent our Board of Directors (the "Board") specifies voting power with respect to any other class of securities issued in the future. Each holder of our common stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors. Stockholders do not have any right to cumulate votes in the election of directors.

Subject to preferences that may be granted to the holders of preferred stock, each holder of our common stock is entitled to share ratably in distributions to stockholders and to receive ratably such dividends as may be declared by our Board out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, the holders of our common stock will be entitled to receive, after payment of all of our debts and liabilities and of all sums to which holders of any preferred stock may be entitled, the distribution of any of our remaining assets on a pro-rata basis. Holders of our common stock have no conversion, exchange, sinking fund, redemption or appraisal rights (other than such as may be determined by our Board in its sole discretion) and have no preemptive rights to subscribe for any of our securities.

All of the outstanding shares of our common stock are, and the shares of common stock issued upon the conversion of any securities convertible into our common stock will be, fully paid and non-assessable.

Our common stock is listed on The NASDAQ Global Select Market under the symbol "PFIE."

Election and Removal of Directors

Our Board is elected annually by all holders of our capital stock. To be eligible for election or appointment to the Board, an individual must meet certain director qualification requirements set forth in our Bylaws. The stockholders shall elect directors by a plurality of the voting power of the stock present, in person or by proxy, at the meeting and entitled to vote on the matter.

Pursuant to the Bylaws our Directors may be removed at any time with or without cause.

Amendment

The Bylaws may be altered, amended or repealed and new bylaws may be adopted either (i) by a majority of the board of directors or (ii) by the affirmative vote of at least 60% of the voting power of the shares of then outstanding voting stock of the corporation, voting together as a single class.

Size of Board and Vacancies

Pursuant to our Bylaws, our Board has the exclusive right to fix the size of the board and to fill any vacancies resulting from death, resignation, disqualification or removal as well as any newly created directorships arising from an increase in the size of the board.

Special Stockholder Meetings

Our Bylaws, provide that only a majority of the total number of directors then in office may call a special meeting of the stockholders, and any business conducted at any special meeting must have been properly brought before the meeting. To be properly brought before a meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of our Board, otherwise properly brought before the meeting by or at the direction of our Board, or otherwise properly brought before the meeting by a stockholder, but, in the case of a special meeting, if and only if the notice of the meeting provides for business to be brought before the meeting by a stockholder.

Stockholder Action by Unanimous Written Consent

Our Bylaws expressly eliminate the right of our stockholders to act by written consent. Stockholder action must take place at the annual or a special meeting of our stockholders and called in accordance with NCL.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our Bylaws, establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our Board or a committee of our Board.

Undesignated Preferred Stock

The authority possessed by our Board to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of the Company through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Our Board may issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of our common stock.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Colonial Stock Transfer, 66 Exchange Place, 1st floor Salt Lake City, UT 84111and its telephone number is (801) 355-5740.

Subsidiaries of the Registrant as of December 31, 2019

Entity Name	**Jurisdiction of Incorporation**
Profire Combustion, Inc.	Alberta, Canada
Prochem, ULC	Alberta, Canada
Profire Holdings, LLC	Utah
Midflow Services, LLC	Ohio

SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

Registered with the Public Company
Accounting Oversight Board

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Profire Energy, Inc.
Lindon, UT

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-190049 and 333-200565) and the Post-Effective Amendment on Form S-3 No. 333-193086 of Profire Energy, Inc. of our report dated March 11, 2020 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT
March 11, 2020

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Brenton W. Hatch, certify that:

1. I have reviewed this annual report on Form 10-K of Profire Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 11, 2020	By:	/s/ Brenton W. Hatch
			Brenton W. Hatch
			Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Ryan W. Oviatt, certify that:

1. I have reviewed this annual report on Form 10-K of Profire Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 11, 2020	By:	/s/ Ryan W. Oviatt
			Ryan W. Oviatt
			Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CHIEF
EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report on Form 10-K of Profire Energy, Inc. (the "Company") for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the *"Report"*), I, Brenton W. Hatch, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2020

By: /s/ Brenton W. Hatch
Brenton W. Hatch
Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION OF CHIEF
FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report on Form 10-K of Profire Energy, Inc. (the "Company") for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the *"Report"*), I, Ryan W. Oviatt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	March 11, 2020	By:	/s/ Ryan W. Oviatt
			Ryan W. Oviatt
			Chief Financial Officer